

6/7/2018

REQUEST FOR PROPOSALS

Consulting Services

Issue Date: June 7, 2018

RFP # 2018-002

Title: **JLARC Request for Assessment of Virginia529 Investment Benchmarks**

Commodity Codes: 91849 (Finance/economics consulting); 94649 (Financial services (Not otherwise classified)); 94656 (Investment management services); 94675 (Securities and commodities market services);

Issuing Agency: Commonwealth of Virginia
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, Virginia 23219

Period of Contract: **Date of Award through November 30, 2018**

Sealed proposals for furnishing services described herein will be received until **noon, July 6th, 2018**, and then opened in public.

All inquiries for information should be directed to:

Kimberly Sarte, Associate Director for Ongoing Oversight and Fiscal Analysis
ksarte@jlarc.virginia.gov
(804) 371-4595

Joe McMahon, Principal Legislative Analyst for Ongoing Oversight and Fiscal Analysis
jmcmahon@jlarc.virginia.gov
(804) 371-4566

ALL PROPOSALS, WHETHER MAILED OR HAND-DELIVERED, SHOULD BE DELIVERED DIRECTLY TO THE ISSUING AGENCY AT THE ADDRESS SHOWN ABOVE.

In compliance with this Request for Proposal, and to all the conditions imposed herein, the undersigned offerors agree to perform investment consulting services in accordance with the attached signed proposal or as mutually agreed upon by subsequent negotiations.

Name and Address of Firm:

Date: _____

By: _____
Printed Name

Signature in Ink

Title: _____

City State Zip
FEI/FIN No. _____

Telephone: (_____) _____

Email: _____

Fax: (_____) _____

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Note: This public body does not discriminate against faith-based organizations in accordance with the *Code of Virginia*, § 2.2-4343.1 or against a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis prohibited by state law relating to discrimination in employment.

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I. PURPOSE

The purpose of this Request for Proposal (RFP) is to solicit sealed proposals to establish a contract through competitive negotiations for the purchase of investment consulting services by the Joint Legislative Audit and Review Commission (JLARC). The contractor will conduct a third-party assessment of the appropriateness of the investment benchmarks used to measure fund performance of the Virginia529 Prepaid529 fund, given the investment goals, strategies, and risk tolerance that have been adopted for the fund.

II. BACKGROUND

A. Virginia Prepaid529 Program and Investments

The Virginia College Savings Plan, also known as Virginia529, was established by the General Assembly to help make college more affordable and accessible to Virginians. Virginia529 offers three education savings programs that participants can use to pay for educational expenses. One of these programs, Prepaid529, is a defined benefit program that allows participants to purchase contracts that cover the future cost of college tuition and fees at public colleges and universities in Virginia.

Revenue from the sale of Prepaid529 contracts is deposited into the Prepaid529 fund to be invested and used at a later date. As of March 2018, the fund held \$2.7 billion in assets. The fund has a diversified portfolio of investments that are allocated among different asset classes, with the goal of achieving the fund's long-term rate of return with acceptable risk and liquidity.

The Virginia529 board and its investment advisory committee (IAC) oversee the Prepaid529 fund. The board determines the fund's overall asset allocation. The IAC determines what investment strategies should be implemented within each asset class and retains private investment management firms or utilizes mutual funds to implement those strategies. Virginia529 staff and a consulting firm oversee the external managers, monitor their performance, and make recommendations to the board and the IAC. The board and IAC, in consultation with Virginia529 staff and the investment consultant, approve the benchmarks against which investment performance is assessed.

B. Joint Legislative Audit and Review Commission

JLARC is the oversight agency of the Virginia General Assembly. Through analysis, research, and evaluation, JLARC helps ensure that the legislature is informed about state program operations, agencies fulfill legislative intent, and programs operate efficiently and effectively. JLARC oversees and evaluates Virginia529, including the Prepaid529 program, on an ongoing basis pursuant to the Virginia College Savings Plan Oversight Act (Title 30, Chapter 51 of the Code of Virginia).

In 2017, JLARC conducted a study of the investment management structure of Prepaid529 under its oversight authority. Among other things, the study recommended that the Virginia529 board contract with a third party to conduct an independent review of Prepaid529 benchmarks to determine whether they are

appropriate indicators against which to measure fund performance given the current investment strategy. Virginia529 staff and its investment consultant conducted an internal review of benchmarks, which resulted in a revision of fund benchmarks in the spring of 2018. However, an external third-party review of benchmarks has not been conducted. Accordingly, the General Assembly directed JLARC to conduct a third-party review of benchmarks in the 2018 Appropriation Act (Attachment A).

More information about JLARC's oversight of Virginia529 and JLARC's report, *Prepaid529 Investment Management*, can be found at jlarc.virginia.gov/vcsp.asp.

III. STATEMENT OF NEEDS

The contractor shall furnish all labor and resources needed to assess and report on the appropriateness of the investment benchmarks that Virginia529 has adopted for the Prepaid529 fund.

1. Assess appropriateness of Prepaid529 investment benchmarks

The contractor shall assess the Prepaid529 investment performance benchmarks in place as of July 1, 2018. Benchmarks shall be assessed based on whether they are appropriate indicators against which to measure fund performance given the investment goals, strategies, and risk tolerance that the Virginia529 board and IAC have adopted for the fund (Attachment B). Consideration should be given to the fact that Prepaid529 is a public fund and accurate benchmarks are necessary to ensure accountability and transparency of fund performance for plan participants and other stakeholders, including the executive branch and the state legislature.

The contractor shall assess investment performance benchmarks at the:

- a. Total fund level;
- b. Asset class level – the fund's asset classes are fixed income, public equity, and alternative investments (including private equity, real estate, and hedge funds) (Attachment C); and
- c. Investment manager level – as of March 2018, the fund held investments with 12 fixed income managers, eight public equity managers, and 10 alternative investments.

2. Conduct bi-weekly status calls with JLARC staff

The contractor shall conduct bi-weekly calls with JLARC staff to provide updates on the progress of 1) assessing the Prepaid529 investment benchmarks, and 2) meeting required deliverables.

3. Provide report documenting findings from the assessment and recommendations, if any, to change Prepaid529 investment benchmarks

The contractor shall provide a report in a format specified by JLARC staff documenting the findings from its assessment and recommended changes, if any, to the Prepaid529 investment benchmarks. Findings should be provided at the total

fund, asset class, and investment manager level. If the contractor finds that an investment benchmark is not an appropriate indicator of fund performance, the contractor shall recommend proposed benchmark(s) that would be an appropriate indicator. The report shall include a high-level summary of the findings and recommendations from the assessment, which can be understood by a legislative audience. The report body shall also include a more detailed discussion of the findings and recommendations that will be useful to the Virginia529 IAC, the Virginia529 staff, and the Virginia529 investment consultant.

4. Availability of Prepaid529 investment information, Virginia529 staff, and the Virginia529 investment consultant

Virginia529 staff and the Virginia529 consultant will make all information and data available that is necessary for the contractor to conduct its assessment of the Prepaid529 investment benchmarks. Virginia529 staff and the investment consultant will be available to provide additional information and answer questions from the contractor, as needed.

5. JLARC staff involvement with contractor

JLARC staff will be in regular contact with the contractor, including through the bi-weekly status calls, and will provide guidance on the format of the report documenting the findings and recommendations of the assessment. The contractor will provide JLARC with sufficient advance notice of all interviews and document reviews to be performed related to the contract assignment. JLARC staff reserve the right to participate with the contractor on all interviews, document reviews, and other activities related to the contract assignment.

IV. REPORTING AND DELIVERY INSTRUCTIONS

The contractor shall report on the following tasks and provide the following deliverables to the JLARC Principal Legislative Analyst for Ongoing Oversight and Fiscal Analysis and the Associate Director for Ongoing Oversight and Fiscal Analysis. The contractor will be required to augment, revise, or summarize all or parts of each deliverable, if deemed necessary by JLARC staff. The contractor shall furnish 45 hard copies of the final report as well as an electronic copy.

Tasks and Deliverables	Preliminary Deadline
1. Kick-off meeting/phone call with JLARC staff	By Aug. 22, 2018
3. Review appropriateness of Prepaid529 benchmarks at the fund, asset class, and manager levels	Aug.-Oct. 2018
2. Bi-weekly status reports	Bi-weekly from contract award
3. Preliminary outline of the of the organizational structure of the final report provided to JLARC	Sept. 24, 2018
4. First draft report to JLARC	Oct. 26, 2018
5. Receive comments from JLARC	Nov. 5, 2018
6. Second draft to JLARC and Virginia529	Nov. 13, 2018
7. Receive comments from Virginia529	Nov. 19, 2018
8. Final report copies to JLARC	Nov. 28, 2018

V. PROPOSAL PREPARATION AND SUBMISSION INSTRUCTIONS

A. General Requirements

1. RFP Response. In order to be considered for selection, offerors must submit a complete response to this RFP. One (1) original and six (6) copies of each proposal must be submitted to JLARC staff. No other distribution of the proposals shall be made by the offeror.
2. Proposal Preparation.
 - a. Proposals shall be signed by an authorized representative of the offeror. All information requested must be submitted. Failure to submit all information requested may result in the purchasing agency requiring prompt submission of missing information and/or giving a lowered evaluation of the proposal. Proposals which are substantially incomplete or lack key information may be rejected by the purchasing agency. Mandatory requirements are those required by law or regulation or are such that they cannot be waived and are not subject to negotiation.
 - b. Proposals should be prepared simply and economically, providing a straightforward, concise description of capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. Unnecessarily elaborate brochures, art work, expensive paper, and other presentations beyond that sufficient for a complete and effective proposal are not desired.
 - c. Proposals should be organized in the order in which the requirements are presented Section III, Statement of Needs, of the RFP. All pages of the proposal should be numbered. Each section in the proposal should reference the corresponding section and subsection of the RFP. The proposal should contain a table of contents which cross references the RFP requirements. Information which the offeror desires to present that does not fall within any of the requirements of the RFP should be inserted at an appropriate place or be attached at the end of the proposal and designated as additional material. Proposals that are not organized in this manner risk elimination from consideration if the purchasing agency is unable to find where the RFP requirements are specifically addressed.
 - d. Proposal shall include nonbinding estimates of total project costs.
 - e. Each copy of the proposal should be bound in a single volume where practical. All documentation submitted with the proposal should be bound in that single volume.
 - f. Ownership of all data, materials, and documentation originated and prepared for the state pursuant to the RFP shall belong exclusively to the state and be subject to public inspection in accordance with the *Virginia Freedom of Information Act*. Trade secrets or proprietary information submitted by an offeror shall not be subject to public disclosure under the *Virginia Freedom of Information Act (Code of Virginia, §2.2-3700 et seq)*; however, the offeror

must invoke the protections of subsection B of §2.2-4317 of the *Code of Virginia*, in writing, either prior to or upon submission of data and other materials. The written notice must specifically identify the data or materials to be protected and state the reasons why protection is necessary. The proprietary or trade secret material submitted must be identified by some distinct method such as highlighting or underlining and must indicate only the specific words, figures, or paragraphs that constitute a trade secret or proprietary information. The classification of an entire proposal document, line item prices and/or total proposal prices as proprietary or trade secrets is not acceptable and will result in rejection of the proposal.

- g. The Commonwealth will not pay any costs that any contractor incurs in preparing a proposal and reserves the right to reject any and all proposals received.
3. Oral Presentation. Offerors who submit a proposal in response to this RFP may be required to give an oral presentation of their proposal to the agency. This provides an opportunity for the offeror to clarify or elaborate on the proposal. This is a fact finding and explanation session only and does not include negotiation. The issuing agency will determine whether oral presentations are to be conducted in person or by teleconference, and will schedule the time and location of these presentations. Oral presentations are an option of the purchasing agency and may or may not be conducted.

B. Specific Requirements

1. Proposals should be as thorough and detailed as possible so that JLARC staff and others may properly evaluate the offeror's capabilities to provide the required services. Offerors are required to submit the following items as a complete proposal:
 - a. The RFP cover sheet and addenda, if any, signed and completed as required.
 - b. The Complete Offeror Data Sheet (Attachment D).
 - c. Complete and signed Certification of Prior Contracts (Attachment E).
 - d. A written narrative statement describing the offeror's proposed approach to addressing each element of the Statement of Needs. This narrative must be sufficient for JLARC staff and others to evaluate how the contractor plans to address each element of the Statement of Needs and the depth and specificity of that plan.
 - e. A written narrative statement describing the offeror's qualifications, including:
 - (1) Information which reflects the qualifications of the offeror to provide the investment consulting services, including experience in assessing the appropriateness of investment performance benchmarks. Experience assessing investment benchmarks for college savings plans, in particular prepaid tuition plans, should be noted. Experience assessing investment

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benchmarks for public funds (pension, treasury, etc.) should also be noted.

- (2) The expertise of participating personnel, the proportion of their time available for this contract, and a description of their education, training, and experience which will ensure that all personnel assigned to perform under any resultant contract shall be capable and qualified in the work assigned to them.
 - (3) Resumes of all staff committed to the contract.
 - (4) Evidence of affiliation with professional associations.
- f. The names and qualifications of all subcontractors proposed for use in this contract, if necessary.
 - g. Letters of reference and contact information and brief description of work performed from at least two (2) current or previous clients for which the offeror is providing or has provided services similar to those requested in this RFP.

VI. EVALUATION AND AWARD CRITERIA

A. RFP Evaluation Criteria

Proposals shall be evaluated by JLARC staff and others designated by JLARC staff by the criteria and weighting shown below.

Category & Weight	Sub-category & weight	Subcategory definition
Technical (60%)	Consistency with scope of tasks requested (10%)	<ul style="list-style-type: none"> Extent to which requested tasks are addressed
	Depth & specificity of proposed approach to execute tasks (20%)	<ul style="list-style-type: none"> Extent to which proposed approach demonstrates sufficient depth and understanding of subject matter Degree of specific and rigor conveyed in tasks addressed
	Past performance (30%)	<ul style="list-style-type: none"> Extent of similar work performed for similar clients, particularly college savings plans and/or prepaid college tuition plans, or other public funds Satisfaction of clients with similar ongoing or previous work
Management (25%)	Workability of proposed management approach (5%)	<ul style="list-style-type: none"> Organization and understandability of proposed management approach Consistency with needed deliverables and timeframes
	Qualifications of proposed personnel (20%)	<ul style="list-style-type: none"> Qualifications and related experience of the offeror's proposed staff Skills of proposed team consistent with skills needed to complete tasks
Price (15%)	Price (15%)	<ul style="list-style-type: none"> Proposed amount to be charged to complete tasks and deliverables

B. Award of Contract

The Commonwealth will engage in individual discussions with offeror(s) deemed fully qualified, responsible, and suitable on the basis of initial responses and with emphasis on professional competence, to provide the required services. Repetitive informal interviews shall be permissible. Such offerors shall be encouraged to elaborate on their qualifications and performance data or staff expertise pertinent to the proposed project, as well as alternative concepts. At the discussion stage the public body may discuss nonbinding estimates of total project costs, and, where appropriate, nonbinding estimates of price for services. Proprietary information from competing offerors shall not be disclosed to the public or to competitors. At the conclusion of the informal interviews, on the basis of evaluation factors published in the Request for Proposals and all information developed in the selection process to this point, the purchasing agency shall select, in the order of preference, two or more offerors whose professional qualifications and proposed services are deemed most meritorious. Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract satisfactory and advantageous to the purchasing agency can be negotiated at a price considered fair and reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first shall be formally terminated and negotiations conducted with the offeror ranked second, and so on, until such a contract can be negotiated at fair and reasonable price. Should the Commonwealth determine in writing and in its sole discretion that only one offeror is fully qualified, or that one offeror is clearly more highly

qualified and suitable than the others under consideration, a contract may be negotiated and awarded to that offeror.

VII. GENERAL TERMS AND CONDITIONS

A. Vendors Manual

This solicitation is subject to the provisions of the Commonwealth of Virginia Vendors Manual and any changes or revisions thereto, which are hereby incorporated into this contract in their entirety. The procedure for filing contractual claims is in section 7.19 of the Vendors Manual. A copy of the manual is normally available for review at the purchasing office and is accessible on the Internet at www.eva.virginia.gov under "Vendors Manual" on the vendors tab.

B. Applicable Laws and Courts

This solicitation and any resulting contract shall be governed in all respects by the laws of the Commonwealth of Virginia and any litigation with respect thereto shall be brought in the courts of the Commonwealth. The agency and the Contractor are encouraged to resolve any issues in controversy arising from the award of the contract or any contractual dispute using Alternative Dispute resolution (ADR) procedures (Code of Virginia, §2.2-4366). The Contractor shall comply with applicable federal, state, and local laws and regulations.

C. Anti-Discrimination

1. By submitting their proposals, offerors certify to the Commonwealth that they will conform to the provisions of the Federal Civil Rights Act of 1964, as amended, as well as the Virginia Fair Employment Contracting Act of 1975, as amended, where applicable, the Virginians With Disabilities Act, the Americans With Disabilities Act and Section 2.2-4311 of the *Virginia Public Procurement Act* (VPPA). If the award is made to a faith-based organization, the organization shall not discriminate against any recipient of goods, services, or disbursements made pursuant to the contract on the basis of the recipient's religion, religious belief, refusal to participate in religious practice, or on the basis of race, age, color, gender, or national origin and shall be subject to the same rules as other organizations that contract with public bodies to account for the use of funds provided; however, if the faith-based organization segregates public funds into separate accounts, only the accounts and programs funded with public funds shall be subject to audit by the public body. (*Code of Virginia*, §2.2-4343.1E)
2. In every contract over \$10,000 the provisions in a. and b. below apply:
 - a. During the performance of this contract, the contractor agrees as follows:
 - (1) The contractor will not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin, or disabilities, except where religion, sex or national origin is a bona fide

occupational qualification reasonably necessary to the normal operation of the contractor. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

- (2) The contractor, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, will state that such contractor is an equal opportunity employer.
 - (3) Notices, advertisements, and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of this section.
- b. The contractor will include the provisions of 1. above in every subcontract or purchase order over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

D. Ethics in Public Contracting

By submitting their proposals, offerors certify that their proposals are made without collusion or fraud and that they have not offered or received any kickbacks or inducements from any other offeror, supplier, manufacturer, or subcontractor in connection with their proposal, and that they have not conferred on any public employee having official responsibility for this procurement transaction any payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value was exchanged.

E. Immigration Reform and Control Act of 1986

By submitting their proposals, the offerors certify that they do not and will not during the performance of this contract employ illegal alien workers or otherwise violate the provisions of the federal Immigration Reform and Control Act of 1986.

F. Debarment Status

By submitting their proposals, offerors certify that they are not currently debarred by the Commonwealth of Virginia from submitting bids or proposals on contracts for the type of goods and/or services covered by this solicitation, nor are they an agent of any person or entity that is currently debarred from submitting bids or proposals on contracts by any agency of the Commonwealth of Virginia.

G. Antitrust

By entering into a contract, the Contractor conveys, sells, assigns, and transfers to the Commonwealth of Virginia all rights, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States and the Commonwealth of Virginia, relating to the particular goods or services purchased or acquired by the Commonwealth of Virginia under said contract.

H. Mandatory Use of State Form and Terms and Conditions

Failure to submit a proposal on the official state form provided for that purpose may be a cause for rejection of the proposal. Modification of or additions to the General Terms and Conditions of the solicitation may be cause for rejection of the proposal; however, the Commonwealth reserves the right to decide, on a case by case basis, in its sole discretion, whether to reject such a proposal.

I. Clarification of Terms

If any prospective offeror has questions about the specifications or other solicitation documents, the prospective offeror should contact the Principal Legislative Analyst for Ongoing Oversight and Fiscal Analysis or the Associate Director for Ongoing Oversight and Fiscal Analysis whose name appears on the face of the solicitation no later than five working days before the due date. Any revisions to the solicitation will be made only by addendum issued by JLARC staff.

J. Payment

1. To Prime Contractor:

- a. Invoices shall be submitted by the Contractor directly to the payment address shown on the purchase order/contract. All invoices shall show the RFP number, state contract number and/or purchase order number; social security number (for individual contractors) or the federal employer identification number (for proprietorships, partnerships, and corporations).
- b. Any payment terms requiring payment in less than 30 days will be regarded as requiring payment 30 days after invoice or delivery, whichever occurs last. This shall not affect offers of discounts for payment in less than 30 days, however.
- c. All services provided pursuant to this RFP, that are to be paid for with public funds, shall be billed by the Contractor at the contract price, regardless of which public agency is being billed.
- d. The following shall be deemed to be the date of payment: the date of postmark in all cases where payment is made by mail, or the date of offset when offset proceedings have been instituted as authorized under the Virginia Debt Collection Act.

2. To Subcontractors:

- a. A Contractor awarded a contract under this solicitation is hereby obligated:
 - (1) To pay the subcontractor(s) within seven (7) days of the Contractor's receipt of payment from the Commonwealth for the proportionate share of the payment received for work performed by the subcontractor(s) under the contract; or

- (2) To notify the agency and the subcontractor(s), in writing, of the Contractor's intention to withhold payment and the reason.
- b. The Contractor is obligated to pay the subcontractor(s) interest at the rate of one percent per month (unless otherwise provided under the terms of the contract) on all amounts owed by the Contractor that remain unpaid seven (7) days following receipt of payment from the Commonwealth, except for amounts withheld as stated in VIII I 2 a (2) above. The date of mailing of any payment by U. S. Mail is deemed to be the date of payment to the addressee. These provisions apply to each sub-tier contractor performing under the primary contract. A Contractor's obligation to pay an interest charge to a subcontractor may not be construed to be an obligation of the Commonwealth.

K. Precedence of Terms

The General Terms and Conditions set forth in Paragraphs A through J (Vendor Manual, Applicable Laws and Courts, Anti-Discrimination, Ethics in Public Contracting, Immigration Reform and Control Act of 1986, Debarment Status, Antitrust, Mandatory Use of State Form and Conditions, Clarification of Terms, and Payment) shall apply in all instances. In the event there is a conflict between any of the other General Terms and Conditions and any Special Terms and Conditions in this solicitation, the Special Terms and Conditions shall apply.

L. Qualifications of Offerors

The Commonwealth may make such reasonable investigations as deemed proper and necessary to determine the ability of the offeror to perform the services and the offeror shall furnish to the Commonwealth all such information and data for this purpose as may be requested. The Commonwealth reserves the right to inspect the offeror's physical facilities prior to award to satisfy questions regarding the offeror's capabilities. The Commonwealth further reserves the right to reject any proposal if the evidence submitted by, or investigations of, such offeror fails to satisfy the Commonwealth that such offeror is properly qualified to carry out the obligations of the contract and to provide the services contemplated therein.

M. Testing and Inspection

The Commonwealth reserves the right to conduct any test/inspection it may deem advisable to assure services conform to the requirements herein.

N. Assignment of Contract

A contract shall not be assignable by the contractor in whole or in part without the written consent of the Commonwealth.

O. Changes to the Contract

Changes may be made to the contract in the following ways:

1. The parties may agree in writing to modify the terms, conditions, or scope of the contract. Any additional goods or services to be provided shall be of a sort that is ancillary to the contract goods or services, or within the same broad product or service categories as were included in the contract award. Any increase or decrease in the price of the contract resulting from such modification shall be agreed to by the parties as a part of their written agreement to modify the scope of the contract.
2. The Purchasing Agency may order changes within the general scope of the contract at any time by written notice to the contractor. Changes within the general scope of the contract include, but are not limited to, things such as services to be performed, the method of packing or shipment, and the place of delivery or installation. The contractor shall comply with the notice upon receipt. The Contractor shall be compensated for any additional costs incurred as the result of such order and shall give the Purchasing Agency a credit for any savings. Said compensation shall be determined by one of the following methods:
 - a. By mutual agreement between the parties in writing; or
 - b. By agreeing upon a unit price or using a unit price set forth in the contract, if the work to be done can be expressed in units, and the contractor accounts for the number of units of work performed, subject to the Purchasing Agency's right to audit the contractor's records and/or to determine the correct number of units independently; or
 - c. By ordering the contractor to proceed with the work and to keep a record of all costs incurred and savings realized. A markup for overhead and profit may be allowed if provided by the contract. The same markup shall be used for determining a decrease in price as the result of savings realized. The Contractor shall present the Purchasing Agency with all vouchers and records of expenses incurred and savings realized. The Purchasing Agency shall have the right to audit the records of the Contractor as it deems necessary to determine costs or savings. Any claim for an adjustment in price under this provision must be asserted by written notice to the Purchasing Agency within thirty (30) days from the date of receipt of the written order from the Purchasing Agency. If the parties fail to agree on an amount of adjustment, the question of an increase or decrease in the contract price or time for performance shall be resolved in accordance with the procedures for resolving disputes provided by the Disputes Clause of this contract or, if there is none, in accordance with the disputes provisions of the Commonwealth of Virginia Vendor's Manual. Neither the existence of a claim nor a dispute resolution process, litigation or any other provision of this contract shall excuse the Contractor from promptly complying with the changes ordered by the Purchasing Agency or with the performance of the contract generally.

P. Default

In case of failure to deliver goods or services in accordance with the contract terms and conditions, the Commonwealth, after due oral or written notice, may procure them from other sources and hold the Contractor responsible for any resulting additional purchase

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and administrative costs. This remedy shall be in addition to any other remedies which the Commonwealth may have.

Q. Insurance

1. By signing and submitting a proposal under this solicitation, the offeror certifies that if awarded the contract, it will have the following insurance coverages at the time the contract is awarded. The offeror further certifies that the contractor and any subcontractors will maintain these coverages during the entire term of the contract and that all insurance coverages will be provided by insurance companies authorized to sell insurance in Virginia by the Virginia State Corporation Commission.
2. During the period of the contract the Commonwealth reserves the right to require the Contractor to furnish certificates of insurance for the coverage required.

Minimum Insurance Coverages And Limits Required:

- a. Worker's Compensation - Statutory requirements and benefits. Coverage is compulsory for employers of three or more employees, to include the employer. Contractors who fail to notify the Commonwealth of increases in the number of employees that change their workers' compensation requirements under the *Code of Virginia* during the course of the contract shall be in noncompliance with the contract.
- b. Employers Liability - \$100,000.
- c. Commercial General Liability - \$1,000,000 per occurrence and \$2,000,000 in aggregate. Commercial General Liability is to include bodily injury and property damage, personal injury and advertising injury, products and completed operations coverage. The Commonwealth of Virginia must be named as an additional insured and so endorsed on the policy.
- d. Automobile Liability - \$1,000,000 combined single limit.

R. Announcement of Award

Upon the award or the announcement of the decision to award a contract as a result of this solicitation, the purchasing agency will publicly post such notice on the DGS/DPS eVA web site (www.eva.state.va.us) for a minimum of 10 days.

S. Drug-free workplace

During the performance of this contract, the contractor agrees to (i) provide a drug-free workplace for the contractor's employees; (ii) post in conspicuous place, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in the contractor's workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in

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all solicitations or advertisements for employees placed by or on behalf of the contractor that the contractor maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over \$10,000, so that the provisions will be binding upon each subcontractor or vendor.

For the purposes of this section, "drug-free workplace" means a site for the performance of work done in connection with a specific contract awarded to a contractor, the employees of whom are prohibited from engaging in the unlawful manufacture, sale, distribution, dispensation, possession or use of any controlled substance or marijuana during the performance of the contract.

T. Non-discrimination of Contractors

A bidder, offeror, or contractor shall not be discriminated against in the solicitation or award of this contract because of race, religion, color, sex, national origin, age, disability, faith-based organizational status, any other basis prohibited by State law relating to discrimination in employment or because the bidder or offeror employs ex-offenders unless the State agency, department, or institution has made a written determination that employing ex-offenders on the specific contract is not in its best interest. If the award of this contract is made to a faith-based organization and an individual, who applies for or receives goods, services, or disbursements provided pursuant to this contract objects to the religious character of the faith-based organization from which the individual receives or would receive the goods, services, or disbursements, the public body shall offer the individual, within a reasonable period of time after the date of his objection, access to equivalent goods, services, or disbursements from an alternative provider. .

U. eVA Business-to-Government Vendor Registration, Contracts, and Orders

The eVA Internet electronic procurement solution, website portal www.eVA.virginia.gov, streamlines and automates government purchasing activities in the Commonwealth. The eVA portal is the gateway for vendors to conduct business with state agencies and public bodies. All vendors desiring to provide goods and/or services to the Commonwealth shall participate in the eVA Internet eprocurement solution by completing the free eVA Vendor Registration. All bidders or offerors must register in eVA and pay the Vendor Transaction Fees specified below; failure to register will result in the bid/proposal being rejected.

Vendor transaction fees are determined by the date the original purchase order is issued and the current fees are as follows:

1. DSBSD-certified small businesses: 1%, capped at \$500 per order.
2. Businesses that are not DSBSD-certified small businesses: 1%, capped at \$1,500 per order.

V. Availability of Funds

It is understood and agreed between the parties herein that JLARC shall be bound hereunder only to the extent of the funds available or which may hereafter become available for the purpose of this agreement.

W. Authorization to Conduct Business in the Commonwealth

A contractor organized as a stock or nonstock corporation, limited liability company, business trust, or limited partnership or registered as a registered limited liability partnership shall be authorized to transact business in the Commonwealth as a domestic or foreign business entity if so required by Title 13.1 or Title 50 of the Code of Virginia or as otherwise required by law. Any business entity described above that enters into a contract with a public body pursuant to the Virginia Public Procurement Act shall not allow its existence to lapse or its certificate of authority or registration to transact business in the Commonwealth, if so required under Title 13.1 or Title 50, to be revoked or cancelled at any time during the term of the contract. A public body may void any contract with a business entity if the business entity fails to remain in compliance with the provisions of this section.

VIII. SPECIAL TERMS AND CONDITIONS

A. Compliance with Procedures

The contractor shall comply with all procedural instructions that may be issued from time to time by JLARC. However, the terms and conditions of the contract will not change.

B. Audit

The contractor hereby agrees to retain all books, records, and other documents relative to this contract for five (5) years after final payment, or until audited by the Commonwealth of Virginia, whichever is sooner. JLARC, its authorized agents, and/or State auditors shall have full access to and the right to examine any of said materials during said period.

C. Cancellation of Contract

JLARC reserves the right to cancel and terminate any resulting contract, in part or in whole, upon 30 days written notice to the contractor. Any contract cancellation notice shall not relieve the contractor of the obligation to deliver and/or perform all outstanding orders issued prior to the effective date of cancellation.

D. Confidentiality of Protected Information

The contractor assures that confidential information and data obtained to perform the tasks of this RFP will be collected and held confidential, during and following the term of this contract. Employees of the contractor who handle confidential information will be required to sign confidentiality agreements with JLARC and/or the agencies providing confidential information, and uphold the terms of the signed agreements.

E. Indemnification

The contractor agrees to indemnify, defend, and hold harmless the Commonwealth of Virginia, its officers, agents, and employees from any claims, damages, and actions of any kind or nature, whether at law or in equity, arising from or caused by any services of

6/7/2018

any kind or nature provided by the Contractor, provided that such liability is not attributable to the sole negligence of the using agency.

F. Use of Subcontractors

1. The use of subcontractors is permitted, but subcontractors will be prohibited from performing research tasks where confidential data is involved. Offerors must specify in their proposals the names, addresses, and telephone numbers of all subcontractors to be used, and the work the subcontractors are to complete. Proposals must describe the qualifications of the subcontractors. JLARC reserves the right to reject the use of any subcontractor which fails to meet any of the requirements of this solicitation.
2. Where it is practicable for any portion of the awarded contract to be subcontracted to other suppliers, the Contractor is encouraged to offer such business to small, women, and/or minority-owned (SWAM) businesses. If SWAM subcontractors are used, the prime contractor agrees to report the use of SWAM subcontractors by providing JLARC, at a minimum, with the following information: name of firm, phone number, total dollar amount subcontracted, category type (small, women, or minority-owned), and type of product/service provided.

G. Disclosure of Prior Contracts with Virginia529 or Its Board Members Within One Year

1. The offeror shall disclose on the attached form (Attachment E) any previous contracts for investment or related services within one (1) year of the proposal date that the offeror, personnel employed by the offeror, or persons or firms subcontracting with the offeror for this contract have had with Virginia529 or its board members.

IX. METHOD OF PAYMENT

A. The Contractor shall be paid based upon invoices submitted, according to a schedule to be negotiated between the parties having regard to specific work products and/or deliverables.

B. Submit invoices to: Joint Legislative Audit and Review Commission
919 E. Main St., Suite 2101
Richmond, Virginia 23219

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X. ATTACHMENTS

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B. Prepaid529 Investment Policy and Guidelines	21
C. Prepaid529 Program Assets and Asset Allocation	49
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E. Disclosure of prior contracts	53

Attachment A

Item 31 - Legislative Evaluation and Review (78300) of the 2018 Appropriation Act

F.12. Since the Virginia College Savings Plan's (Virginia529) Prepaid529 is a public fund, and accurate benchmarks are necessary to ensure accountability and transparency for plan participants and other stakeholders such as the state, the Joint Legislative Audit and Review Commission (JLARC) is directed to contract with a third-party consultant to conduct an independent review of investment performance benchmarks used for the fund. The consultant, which should have expertise in institutional investment, shall determine whether Virginia529 is using appropriate benchmarks to measure performance, given the investment goals, strategies, and risk tolerance that the Virginia529 Board and Investment Advisory Committee have adopted for the fund. The contract should be procured through a request for proposal (RFP). The consultant shall report its findings and make recommendations, as warranted, for changes to existing benchmarks, by December 15, 2018. JLARC's expenses related to its duties under this amendment shall be reimbursed by Virginia529 as required under § 30-335. The consultant's recommendations shall be considered by the Virginia529 Board and Investment Advisory Committee.

Attachment B – Statement of Investment Policy Guidelines

**Virginia College Savings Plan
Statement of Investment Policy and
Guidelines
For
Prepaid529SM**

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I. PURPOSE & RESPONSIBILITIES

PURPOSE

The purpose of this Statement of Investment Policy and Guidelines (“Statement”) is to identify a set of investment objectives, guidelines and performance standards for the Virginia529 Prepaid529 (“Prepaid529” or the “Program”). This Statement represents the formal investment policy document for Prepaid529 and is to be communicated to the investment managers for their use in developing appropriate investment portfolios. This document will also be used by the Board of the Virginia College Savings Plan (“Board”) as the basis for future investment management decisions, measurement and evaluation of investment performance of Prepaid529.

This Statement will be reviewed at least annually by the Board to ensure that it is consistent with the investment needs of the Program.

RESPONSIBILITIES

Board

Pursuant to § 23.1-704 of the Code of Virginia (the “Code”), the Board shall administer the Virginia College Savings Plan (“VA529” or the “Plan”) and shall develop and implement programs for (i) the prepayment of undergraduate tuition, as defined in § 23.1-700 of the Code, at a fixed, guaranteed level for application at a public institution of higher education and (ii) contributions to college savings trust accounts established on behalf of a qualified beneficiary in order to apply distributions from the account toward qualified higher education expenses at eligible educational institutions, as both such terms are defined in § 529 of the Internal Revenue Code of 1986, as amended, or other applicable federal law. In addition, pursuant to § 23.1-704 of the Code, the Board shall invest moneys in the Plan in any instruments, obligations, securities, or property deemed appropriate by the Board.

The Board is authorized to delegate certain responsibilities to qualified agents to assist them in properly meeting the overall Board responsibilities as outlined above. Specifically, the Board relies on the advice, guidance and actions of VA529 Management, the Investment Advisory Committee, a custodian, investment managers, an investment consultant, legal counsel and an actuary to perform various functions. The various roles and duties of each are further described below.

VA529 Management

VA529 Management, comprised of the Chief Executive Officer (“CEO”) and such other senior officers as may be appointed by the CEO shall implement decisions approved by the Board and/or Investment Advisory Committee unless otherwise specifically provided by the Board or the Investment Advisory Committee. VA529 Management shall (i) oversee the development, structure, evaluation and implementation of Prepaid529’s strategic goals and objectives and (ii) with the assistance of the Investment Advisory Committee appointed by the Board, and by investment consultants, direct, manage and administer Prepaid529’s assets and programs, and (iii) report periodically and as requested to the Board.

Investment Advisory Committee

According to § 23.1-702 of the Code, the Board of VA529 shall appoint an Investment Advisory Committee (“Committee”), the purpose of which is to assist the Board in fulfilling its fiduciary duty as trustee of VA529’s funds and to assist VA529 Management in directing, managing, and administering VA529’s assets, and to provide the Board with sophisticated, objective and prudent investment advice and direction on all matters related to the management of investments, within the parameters set by the Statement, as it may be amended from time to time. While this Statement refers to the responsibilities and duties of the Board, some of these responsibilities and duties may be delegated to the Committee via the Committee Charter¹.

The Committee shall be comprised and administered in accordance with the Committee Charter, as it may be amended from time to time by the Board. The Committee shall review VA529’s investments and is authorized to make decisions with regard to investment managers. The Committee is further authorized to take any additional action specifically authorized in other Board actions. Recommendations are not binding upon the Board.

The Committee shall report any action taken to the Board at the Board’s next meeting.

Custodian

The Plan shall contract on behalf of the Board with a third party custodian which shall have a level of experience and expertise in providing custodial services to plans and funds similar to those of Prepaid529. The custodian shall act as a fiduciary in the administration of the Prepaid529 accounts utilizing appropriate internal controls to insure the safety of the assets from such things as fraud, collusion, loss, diversion, etc. While the specific duties and responsibilities of the Plan’s custodian are contained in the contractual agreement between the custodian and Plan, the custodian, in general, has the following responsibilities:

- to handle all income, cash transactions, interest received, and other necessary activities;
- hold all securities on behalf of Prepaid529 and only deliver securities upon proper instruction from those authorized to provide such instruction or direction;
- perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock, except for the voting of proxies, unless specifically authorized;
- safekeep all assets including securities, cash and cash equivalents;
- receive instructions from investment managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures; and
- provide monthly transaction accounting on security holdings with reports provided to the appropriate VA529 Management in a timely manner.

¹ The Committee Charter of the Virginia College Savings Plan Investment Advisory Committee was revised by the Board on August 24, 2017.

Actuary for Prepaid529

As provided in § 23.1-706 and 23.1-710 of the Code, VA529 is to annually determine whether there are sufficient funds to maintain the actuarial soundness of the Program. To assist in this determination, the Board shall hire an actuary for the Program. While the specific duties and responsibilities of the Plan's actuary are contained in the contractual agreement between the actuary and Plan, the actuary, in general, has the following responsibilities:

- prepare, on a frequency determined by the Board, a comprehensive evaluation of Prepaid529's funded status and attest to the appropriateness of Prepaid529's assumptions and policies; and
- conduct special experience and actuarial studies as required by the Board.

Investment Consultant

While the specific duties and responsibilities of the Plan's investment consultant are contained in the contractual agreement between the investment consultant and Plan, the consultant, in general, has the following responsibilities and will assist the Board and Committee with the following functions:

- provide evaluation of the investment results achieved by the designated investment managers in light of the investment guidelines and performance standards contained in this Statement;
- make recommendations to the Board of appropriate actions to be considered which, in the consultant's opinion, will enhance the probability of achieving overall investment program objectives. Such recommendations may include, but are not limited to:
 - use of alternate asset strategies or asset classes;
 - changes in overall investment policy;
 - changes in designated investment managers;
- provide assistance to the Board and/or Committee in screening and selecting investment managers, as appropriate; and
- at a minimum, meet with the Committee and Board every quarter.

Legal Counsel

The VA529 General Counsel shall advise and represent the Board in all matters requiring legal insight and advice. VA529 Management, in consultation with the General Counsel, shall utilize the services of outside counsel and/or the Office of the Attorney General as such services may be required from time to time.

Investment Managers

While the specific duties and responsibilities of the Plan's investment managers are contained in each contractual agreement between the designated investment manager and the Plan, investment managers, in general, have the following responsibilities:

- maintain registration as an investment advisor under the Investment Advisers Act of 1940, or be authorized and regulated by another appropriate authority;
- adhere to the policy guidelines contained in this Statement, unless granted an exception in writing;
- invest only in those asset classes, and adhere to the ranges for allocation among those classes, that the Board has stated to be appropriate for that manager's portfolio;
- exercise complete investment discretion within the boundaries of the restrictions outlined in this Statement or in any written exceptions to this Statement;
- strictly comply with all of the provisions of appropriate law as they pertain to the firm's dealings, functions and responsibilities as fiduciaries;
- prudently liquidate assets in the portfolio which cease to be in compliance with this Statement of Investment Policy or any written exceptions to this Statement. If in the manager's judgment, it is in the Program(s) best interest to not liquidate such an asset promptly, the manager will advise VA529 Management of the circumstances and make a recommendation regarding the liquidation of that asset;
- diversify the portfolio unless, under the circumstances, it is clearly prudent to not so diversify;
- ensure that brokers will be selected only on a competitive, best execution basis;
- invest the assets of the Program with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
- provide VA529 Management with a monthly accounting of assets;
- issue a quarterly report to the Committee and/or their designees which includes the following information:
 - the market value of account assets as of the last business day of each quarter;
 - the portion of account assets allocated to each investment asset class as of the last business day of each quarter;

- time-weighted rates of return measured net of investment management fees and all expenses or gross of fees (as appropriate) for the current quarter, year-to-date and historical time periods;
- average account characteristics and number of holdings as of the last business day of each quarter; and
- expenses:
- acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary, and the firm's intention to comply with this Statement as it currently exists or as is modified by joint agreement in the future.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager an exception to the foregoing requirements where such exceptions are deemed appropriate and prudent. Exceptions applicable to each individual investment manager may be included in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

II. ASSET ALLOCATION & REBALANCING

INVESTMENT OBJECTIVES

The Virginia529 Prepaid529 offers contracts to eligible individuals, the benefits from which cover future in-state undergraduate tuition and mandatory fees assessed to all students for the normal full-time course load at Virginia public colleges and universities. Prepaid529 benefits may also be applied toward the cost of tuition and fees at Virginia private colleges as well as at eligible educational institutions nationwide, and in certain cases, at schools around the world. Given this mission, the primary investment objectives are outlined below.

- Prepaid529's investment portfolio shall be allocated and managed with the objective of attaining an investment return which equals or exceeds the actuarial return assumptions, throughout the majority of economic cycles, taking into consideration cash flow demands and investment risks.
- Prepaid529's investment portfolio shall be invested and managed to provide sufficient liquidity to meet all reasonably anticipated operational requirements.
- Prepaid529's investment portfolio shall be invested prudently in order to endeavor to meet or exceed the assumed targeted rate of return as determined by the Board.

ASSET ALLOCATION & REBALANCING

The target asset allocation should reflect a proper balance between Prepaid529's needs for liquidity and return on assets, combined with an appropriate level of risk. The target asset mix, along with the acceptable minimum and maximum ranges, is outlined in Appendix A.

The target asset allocation should not be regarded as a rigid set of rules regarding asset allocation. The Board will review the allocation periodically and make adjustments as may be appropriate in light of changing market conditions.

Liquidity is required only to meet defined payout needs, unless the investment managers are otherwise advised by VA529 Management.

The Board is charged with the responsibility of monitoring the overall allocation within the parameters described above. It is understood that the maximum and minimum ranges are guidelines and that deviations may occur from time to time as a result of market impact or from short-term decisions implemented by either the Board or, with prior approval, by the investment managers. Rebalancing will occur as needed according to the VA529 Rebalancing Policy. VA529 staff certifies and reports to VA529 management on a monthly basis whether portfolio components are properly balanced according to asset allocation parameters.

III. ALLOWABLE INVESTMENTS

ALLOWABLE INVESTMENTS

Pursuant to § 23.1-706 of the Code, as amended, the Board is authorized to acquire and retain every kind of property and any kind of investment, and to retain property properly acquired, without time limitation and without regard to its suitability for original purpose, specifically including but not limited to:

- Debentures and other corporate obligations of foreign or domestic corporations;
- Common or preferred stocks traded on foreign or domestic stock exchanges;
- Not less than all of the stock or 100 percent ownership of a corporation or other entity organized by the Board under the laws of the Commonwealth for the purpose of acquiring and retaining real property that the Board is authorized to acquire and retain;
- Unregistered securities, often referred to as letter stock or private placements, including limited partnerships and 144A securities;
- Securities of any open-end or closed-end management type investment company or investment trust registered under the federal Investment Company Act of 1940, as amended, including such investment companies or investment trusts which, in turn, invest in the securities of such investment companies or investment trusts. Also permitted are pooled investments, including collective trusts and similar commingled fund vehicles, which may be used as an alternative to a mutual fund investment; and
- Bonds, notes or other obligations of the Commonwealth or its agencies and instrumentalities.

General Portfolio Diversification

All individually managed portfolios and funds must maintain sufficient diversification among security issuers and market sectors such that the performance of one security or sector will not have an excessive impact on the entire portfolio. Investment mandates will be considered individually as well as collectively to ensure that investment styles, philosophies and investment approaches are complementary.

General Restrictions/Guidelines

The Board requires that all investment managers comply with the following limitations and restrictions on their investment activities and holdings:

- Unless granted permission by the Board in writing, investment managers shall not engage in short sales or margin purchases and all accounts shall be free of leverage.
- Unless granted permission by the Board in writing, commodities or commodity contracts are not allowed.

- Derivative securities are prohibited except where specifically permitted in the investment manager agreement, subscription agreement, or prospectus. Specific asset classes may be permitted to make use of derivatives consistent with the overall investment guidelines and objectives of that asset class.
- Investments in commercial paper or other similar securities intended as cash equivalents shall be made only if such paper is rated at least A1/P1 and has a maturity of less than one year or a commingled money market fund offered by the custodian bank is used which meets these standards.
- The individual managers are expected to be fully invested at all times, with cash accounting for no more than 10% of the portfolio's market value.

Individual Portfolio Guidelines - Equity

- Securities of any one issuer are limited to 5% (at market) of the individual portfolio.
- Portfolios should be diversified by sector, with sector allocations limited to a maximum of 200% of the weight of the sector in the benchmark (see Appendix for the benchmark assigned to each asset class), or 25%, whichever is greater, with the exception of sectors whose benchmark allocation is less than 5%, where the maximum allocation shall be 15%.
- U.S. equity portfolios cannot hold non-dollar denominated securities.
- No quantitative guidelines are given as to industry diversification. However, the investment manager is expected to develop and apply prudent standards.

Individual Portfolio Guidelines – Fixed Income

- While no specific ranges are required, it is expected that the average duration of the portfolio will be within +/- 20% of its designated benchmark (see Appendix B for the benchmark assigned to each asset class).
- For the core fixed income portfolios, which are primarily invested in U.S. investment grade debt securities, the average quality of the total account should be A-rated or higher. Only investment grade securities, as defined as BBB-rated or higher by Standard & Poor's, or the equivalent rating by Moody's or Fitch may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- For the non-core fixed income portfolios, which can hold non-investment grade debt securities, the portfolio is expected to maintain an overall average quality rating of BBB or higher.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- U.S. fixed income portfolios cannot hold non-dollar denominated securities.

Individual Portfolio Guidelines – Fixed Income, Stable Value

- While no specific ranges are required, it is expected that the average duration of the account will be between two and four years.
- The average quality of the total account should be AA- or higher. Only investment grade securities defined as BBB-rated or higher by Standard & Poor's or the equivalent rating by Moody's or Fitch, may be purchased, unless the Board grants specific exceptions in writing. For bonds with split ratings, the higher rating will apply. In cases where securities were purchased and were subsequently downgraded, the manager will immediately notify VA529 Management and outline the course of action anticipated for the security.
- Securities of any one issuer, with the exception of the U.S. Government and its agencies and instrumentalities, are limited to 5% (at market) of the individual portfolio.
- Stable Value portfolios cannot hold non-dollar denominated securities.

Exceptions Allowed

On a case by case basis, the Board may grant the investment manager a special exception to the foregoing restrictions where such exceptions are deemed appropriate and prudent. Specific guidelines applicable to each individual investment manager will be recorded in the manager's investment management agreement with the Plan or in a letter to the manager signed by the CEO of the Plan.

Commingled Funds, Collective Trusts and Mutual Funds

The guidelines in this Statement have been established to ensure that the investments of each investment manager are in keeping with the return and risk objectives of Prepaid529. However, in attempting to meet these objectives, it may be advantageous for a portion of portfolio assets to be placed in a pooled, commingled, collective trust, or mutual fund which may have specific restrictions, policies, or guidelines that conflict from time-to-time with those outlined in this Statement. To the extent that the Board has reviewed the investment guidelines of such funds, and determined their appropriateness to the investment objectives of the Program, the restrictions, policies and guidelines in the funds' prospectus or offering statement shall take precedence over those stated in this Statement.

IV. INVESTMENT MANAGER SELECTION, MONITORING AND TERMINATION

BACKGROUND

The Board reserves the right to add, delete or replace investment managers in order to meet performance guidelines outlined in this policy or other factors affecting the continuing viability of the portfolio.

SELECTION – GENERAL CRITERIA

When selecting investment managers for Prepaid529, the following six broad categories should be considered:

- Economies of Scale
- Diversification
- Transparency
- Organizational Strength
- Performance Consistency
- Risk/ Reward

The following *basic* selection criteria are to be used when selecting a new investment manager to be added to Prepaid529 or when selecting a replacement manager for an existing asset class. These criteria have been classified according to the categories listed above.

Economies of Scale

- Have at least \$500 million in assets under management.
- Have a reasonable expense ratio or fees compared to other vehicles within an appropriate peer group.

Diversification

- No more than 10% of the portfolio may be invested in any one company valued at market. Likewise, appropriate risk controls should be outlined in each investment manager agreement with respect to sector and industry weightings relative to an appropriate benchmark.

Transparency

- Employ an investment process that is well defined.
- Invest in securities consistent with the investment manager's strategy².
- Agree to meet all other requirements set forth in this Statement. However, all mutual funds, collective trusts, and similar commingled fund vehicles included in Prepaid529 will also be subject to the investment guidelines as set forth in their prospectuses, or applicable offering documents.

Organizational Strength

- Be managed and supported by qualified personnel and appropriate resources.

² For instance, large cap growth vehicles should primarily focus on large cap stocks with growth-oriented characteristics.

Performance Consistency

- Have a minimum of 3 years of verifiable investment performance information³.
- Have competitive returns versus an appropriate benchmark and peer group.

Risk/ Reward

- Have acceptable volatility relative to an appropriate benchmark. Greater volatility than the benchmark should be commensurate with a higher return.

GUIDELINES FOR PROSPECTIVE PRIVATE EQUITY MANAGER REVIEW

In developing recommendations for a private equity fund of funds or direct manager (GP) for the Prepaid529 portfolio, the Committee recognizes that the investment consultant may not have rated, or may not have a current rating for the prospective GP and/or fund that the Committee may want to consider.

The following list represents criteria by which a GP or fund would be eligible for further consideration by the Committee, and thus eligible for the commencement of diligence work and/or rating by the investment consultant (or other private equity consultant) prior to any allocation or commitment to such manager by the Committee. The GP should exhibit/meet most if not all of the following characteristics/criteria before a request is made of the investment consultant to proceed with a formal manager or fund rating. Any decision to proceed would be subject to availability of funds and a negotiated fee would be agreed to with the investment consultant.

If the manager/GP satisfies most if not all of the criteria, VA529 staff and/or the Committee may request whether the investment consultant has:

- 1) Published a “Research View” document;
- 2) Published a rating or a “Research Note” report; or
- 3) Has published neither but has developed either a positive or less than positive opinion on the firm that would provide an indication of whether we should consider proceeding with a Research Note or View report?

This will allow VA529 and the Committee to determine whether we should proceed with a Research View and/or a Research Note and formal rating.

Criteria:

- The GP has raised at least one or more prior fund of funds over a period that is reasonable given fund size, type, underlying fund size and allocation, etc.;

³ Vehicles with less than 3 years of history may be tactical or opportunities investments where strategies often close quickly due to liquidity constraints.

- The GP will have proven the ability to access high-quality underlying managers, and in amounts that are meaningful to the portfolios;
- The GP will have developed an organizational capability sufficiently robust to effectively invest and administer the private market program; and sufficient levels of assets, staffing and external resources will be in place to ensure successful implementation of the program;
- Total fund sizes and growth in such fund sizes has been reasonable with respect to the GP's history, underlying investment type or strategy, and the number and size of the underlying funds to which the managers allocates and commits;
- The GP's fund of funds has an advisory committee (LPAC) and Virginia529 will be assigned a seat on the LPAC;
- The Limited Partnership Agreement (LPA) has been reviewed by VA529 staff and counsel;
- The GP has agreed to provide transparency into the underlying funds;
- The GP's previous funds of funds (of similar strategy), as applicable, have on average been in the top two quartiles vs. a comparative peer group, and long-term performance exceeds that of comparable listed benchmarks;
- The GP's primary investment decision makers have on average meaningful experience as Limited Partners (LPs) with proven institutions and /or in the private equity industry in the space in which they expect to focus;
- If the fund of funds vehicle contains a fee waterfall, it is structured as a European waterfall; and
- The GP has successfully attracted other institutional LPs in current or past funds, with an aggregate amount of institutional commitments to current and previous fund of funds that is reasonable given the fund size, fund strategy, number of funds, etc.

INVESTMENT MANAGER SEARCHES – COMMITMENT TO DIVERSITY

The Board is committed to seeking diversity in the ownership, management, and staffing of firms with which the Plan does business, including investment managers. Accordingly, whenever a manager search is directed by the Plan, the Plan's investment

consultant will include in its research report information on the ownership structure of each firm and publicly available data on ownership by women and minorities. In addition, if managers are interviewed by the Committee, the Plan's investment consultant will request that each candidate include in their respective presentation a discussion of the candidate's overall commitment to diversity and a review of the distribution in each level of the organization by gender and ethnicity in order to obtain information on the firm's diversity. Other information may be provided at the candidate's discretion to demonstrate their firm's commitment. Such information shall be considered in evaluating potential investment managers, with the primary criteria remaining those outlined under General Criteria above, in accordance with the fiduciary obligations of the Board.

PERFORMANCE MONITORING

The Board shall periodically, but not less than quarterly, evaluate investment managers. Each actively managed investment option will be measured against its benchmark and peer group for the measurement periods outlined below. The ability to meet the benchmark comparison on a net of fees basis will be a primary measure of performance. In addition to monitoring performance, consideration will be given to risk adjusted metrics.

<i>Measurement Period</i>	<i>Benchmark Comparison</i>	<i>Peer Group Comparison</i>
Multiple rolling 3-year periods	<ul style="list-style-type: none"> The total rate of return should exceed the return of the benchmark over most rolling periods.⁴ 	<ul style="list-style-type: none"> The total rate of return should exceed the median return of the fund's peer group over most rolling periods⁴.

For the managers that do not have a 3-year track record with Prepaid529, the manager's separate account composite or mutual fund performance will be used for evaluation. The manager may also be placed on watch within a lesser period if the strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.

If the investment manager utilizes a passively managed strategy, the portfolio will be monitored on its ability to successfully track the risk and return characteristics of the stated benchmark. Peer group comparisons will not be required for passive strategies.

⁴ Measured over the latest 12 quarters available for review.

In addition to monitoring investment performance results, the Board may periodically evaluate the investment managers on the basis of the following factors to ascertain whether they should continue to be utilized in Program:

- the stability and depth of the investment professionals responsible for the management of this strategy;
- the suitability of its investment approach for Prepaid529;
- its management fees; and
- any other measures the Board deems useful and relevant.

Watch List Status & Termination

If an investment manager fails to meet the minimum standards of investment performance outlined in this document, the Board may place the manager on a watch list for one year. The following are some examples of reasons for termination or placing an investment manager on the watch list:

- significant change in portfolio management, ownership or control;
- significant change in portfolio management style;
- substantive change in portfolio turnover; and
- continued performance shortfalls versus the peer group or benchmark.

Reasons for termination without a probationary period may include, but are not limited to:

- any violation of SEC, or other applicable authority, rules or regulations, as well as any other important and appropriate statutory regulatory requirements;
- operational difficulties concerning fund transfers or pricing;
- substantial and consistent deviation from the characteristics of its investment category; and
- failure to adhere to guidelines in this Statement or in the investment management agreement.

By the end of the watch list period, the Board will evaluate the investment manager and determine whether:

- the investment manager remains on the watch list for an additional specified period of time;
- the investment manager is removed from the watch list; or
- the investment manager is terminated.

VIII. SUPPLEMENTAL ITEMS

CASH/LIQUIDITY POLICY

The following procedures are hereby adopted and will remain in effect until such time as monthly cash flows of Prepaid529 and/or contributions to Prepaid529 support the ongoing benefit and expense payments required by the Program.

- The Cash/Liquidity Policy for Prepaid529 shall be integrated with the management of Prepaid529's asset allocation rebalancing policy.
- Cash required for benefit payments and operating expenses shall be distributed from a cash account. The balance in that account will be monitored on a frequent basis and replenished as necessary, but no less often than quarterly.
- When it is determined that there is insufficient cash in the designated cash account to fund upcoming cash withdrawals, transfers will be made from one or more of the investment accounts into the cash account. The determination of which accounts will provide funds to the cash account will be made by VA529 Management in consultation with the investment consultant, with the following objectives:
 - rebalancing toward the target asset allocation; and
 - minimizing the transaction costs of providing cash.

PROXY VOTING

Proxies will be voted for the exclusive benefit of the Plan.

Proposals Related to Funds and other Securities

The Board may delegate the voting of proxies to others (e.g., the Investment Advisory Committee, appropriate VA529 Management, the investment managers or a qualified third party). In addition, the Board may require periodic reporting of the proxy voting activity by any person to whom such power has been delegated.

If a qualified third party is retained to manage the proxy voting activities for Prepaid529, a review of the guidelines used to vote proxies will be conducted annually by VA529 Management. In addition, the third party will provide reports every calendar quarter to appropriate VA529 Management as to the proxies voted.

SECURITIES LENDING

Securities lending is not allowed in the separate accounts in Prepaid529, unless specifically approved by the Board. However, some of the investment vehicles, such as mutual funds, collective trusts, and similar commingled fund vehicles may engage in securities lending if so allowed by their prospectus or applicable offering document.

ACCEPTANCE AND ADOPTION

The Board of Virginia College Savings Plan has approved and adopted this amended and restated Statement of Investment Policy and Guidelines as of March 28, 2018.

APPENDICES

APPENDIX A - TARGET ASSET ALLOCATION

The target asset mix, consistent with the achievement of the long-term objective of the Plan, is as follows:

	<u>Target</u>	<u>Allowable Range</u>
Equities Comprised of publicly traded U.S. and International Equity	32.5%	25.0 - 40.0%
Alternatives Comprised of asset classes or strategies such as Public or Private Real Estate, Private Partnerships or Hedge Funds	15.0%	10.0 - 20.0%
Fixed Income Comprised of asset classes such as Convertibles, High Yield, Emerging Market Debt, Private Debt, Bank Loans, and U.S. Investment Grade Debt	52.5%	47.5 – 57.5%

Note: This allocation is reviewed annually by the Investment Advisory Committee and the Board in establishing the long-term investment return assumption for Prepaid529's annual actuarial valuation report. This allocation was last updated March 28, 2018.

APPENDIX B – ASSET CLASSES, BENCHMARKS & PEER GROUPS

The table below outlines the applicable benchmarks and peer groups for each asset class and style represented in the Prepaid529 portfolio.

Asset Class	Asset Group	Benchmark	Peer Group
U.S. Large Cap Passive Equity	Public Equity	S&P 500	NA
U.S. Small/Mid Cap Growth Equity	Public Equity	Russell 2500 Growth	Small/Mid Cap Equity
U.S. Small Cap Value Equity	Public Equity	Russell 2000 Value	Small Cap Value Equity
U.S. Small/Mid Cap Value Equity	Public Equity	Russell 2500 Value	Small/Mid Cap Value Equity
International Equity	Public Equity	MSCI ACWI ex US	International Equity Mutual Fund
Emerging Markets Equity	Public Equity	MSCI Emerging Markets	Emerging Markets Mutual Fund
Private Real Estate	Alternatives	NCREIF (various)	Private Real Estate
Diversified Hedge Fund of Funds	Alternatives	HFRI Fund of Funds Conservative Index	Diversified Hedge Funds
Private Equity Partnerships	Alternatives	ACWI IMI + 300 bps	NA
U.S. High Yield Fixed income	Non-Core Fixed Income	Bloomberg Barclays U.S. High Yield Ba/B 1% Issuer Cap Index	U.S. High Yield Fixed Income
Convertibles	Non-Core Fixed Income	TR Global Defensive Investment Grade	Convertibles
Emerging Markets Debt	Non-Core Fixed Income	JP Morgan EMBI (various)	Emerging Market Debt
Bank/Leveraged Loans	Core Fixed Income	Credit Suisse Leveraged Loan Index	Fixed / Bank /Leveraged Loans
Mortgage Backed Securities	Core Fixed Income	Bloomberg Barclays CMBS Bond Index	U.S. Fixed / Mortgage-Backed
Intermediate Term Fixed Income	Core Fixed Income	Bloomberg Barclays US Credit Intermediate Index	U.S. Fixed / Intermediate
U.S. Treasury Inflation Adjusted Fixed Income	Core Fixed Income	Bloomberg Barclays Capital U.S. TIPS	NA
Private Debt Partnerships	Private Debt	S&P Leveraged Loan Index	NA
Stable Value	Core Fixed Income	3-Month T-Bills + 100 bps	Stable Value
Money Market Fund	Core Fixed Income	Citigroup 3-Month T-Bill	NA

APPENDIX C – COMPOSITE BENCHMARKS

Each investment manager is benchmarked against an index that best reflects their investment style and strategy. The benchmarks for the equity, fixed income, and alternatives categories are composite benchmarks comprised of a market weighted blend of the underlying manager benchmarks, as is the total fund benchmark. These blends are calculated monthly by the custodian using month end market values.

The benchmark for private equity is adjusted at the partnership level for the first 4 years to match the actual return. This methodology accommodates the long funding period typical of private equity investments.

Attachment C-Prepaid529 fund asset allocation document

Attachment C: Prepaid529 fund asset allocation document



Prepaid529SM
Program Assets & Asset Allocation
March 31, 2018

	Strategy	Type	Total Net Assets	Percent by Manager	Percent by Category	Target for Category	Totals by Class	Percent by Class	Target for Class
EQUITIES									
US All Cap Equities									
Vanguard Institutional Index (S&P 500)	LC Core	Mutual Fund	83,045,550	3.1%					
Westfield Capital Management	SMID Growth	Separate Acct	147,008,233	5.5%					
Donald Smith & Co.	SC Value	Separate Acct	69,642,521	2.6%					
Thompson, Siegel & Walmsley	SMID Value	Separate Acct	92,191,245	3.4%					
Subtotal - US All Cap Equities			391,887,550		14.6%	15.0%			
International Developed Markets									
American Funds Euro-Pacific Growth Fund	Intl Growth	Mutual Fund	131,708,090	4.9%					
Templeton International Equity Series	Intl Value	Mutual Fund	129,151,532	4.8%					
Subtotal - Int'l Dev Mkts Equity			260,859,623		9.7%	10.0%			
Emerging Market Equity									
Aberdeen Asset Management	Emg Mkt EQ	Mutual Fund	129,063,578	4.8%					
DFA Emerging Markets Core	Emg Mkt EQ	Mutual Fund	66,077,729	2.5%					
Subtotal - Emerging Mkts Equity			195,141,307		7.3%	7.5%			
Subtotal - EQUITIES							847,888,480	31.6%	32.5%
ALTERNATIVES									
Aurora Offshore Ltd. II	Hedge FOF	Hedge Fund	326,638	0.0%					
Blackstone Partners Offshore	Hedge FOF	Hedge Fund	132,949,214	4.9%					
Aventura Holdings, LLC	Private RE	N/A	8,063,642	0.3%					
Aether Investment Partners	Private EQ	Limited Partnership	20,105,416	0.7%					
Private Advisors	Private EQ	Limited Partnership	36,012,291	1.3%					
Adams Street Partners	Private EQ	Limited Partnership	108,384,528	4.0%					
Commonfund	Private EQ	Limited Partnership	16,907,798	0.6%					
LGT Capital Partners	Private EQ	Public Limited Co	2,007,954	0.1%					
Neuberger Berman	Private EQ	Limited Partnership	15,592,817	0.6%					
UBS Trumbull	Private RE	Limited Partnership	92,053,545	3.4%					
Subtotal - ALTERNATIVES			432,403,842		16.1%	15.0%	432,403,842	16.1%	15.0%
FIXED INCOME									
Convertibles									
Advent Capital	Convertibles (Core Plus)	Separate Acct	113,967,172	4.2%	4.2%	4.5%			
Ferox Capital	Convertibles (Core Plus)	Public Limited Co	76,487,352	2.8%	2.8%	3.0%			
Subtotal - Convertibles			190,454,524		7.1%	7.5%			
High Yield									
PGIM Fixed Income	High Yield (Core Plus)	Separate Acct	263,008,371	9.8%	9.8%	8.0%			
Private Debt									
Golub Capital	Private Debt (Core Plus)	Limited Partnership	5,250,000	0.2%	0.2%	4.0%			
Emerging Market Debt									
Wellington Emerging Market Debt	Emg Mkt FI (Core Plus)	Collective Tr	186,162,050	6.9%	6.9%	7.0%			
Stone Harbor EMD Blend	Emg Mkt FI (Core Plus)	Mutual Fund	84,194,777	3.1%	3.1%	3.0%			
Subtotal - Emerging Market Debt			270,356,827		10.1%	10.0%			
Bank Loans									
Shenkman Capital Mgmt	Bank Loans (Core)	Separate Acct	241,855,208	9.0%	9.0%	7.0%			
Intermediate Corporate Bond									
Blackrock Intermediate Corporate Bond	Intermediate Credit (Core)	Collective Tr	77,300,985	2.9%	2.9%	3.0%			
Mortgage Backed									
Schroders Mortgage-Backed Strategy	Mortgage-Backed (Core)	Separate Acct	77,138,018	2.9%	2.9%	3.0%			
Cash									
CS Transition	Fixed Income (Core)	N/A	465,022	0.0%	0.0%	0.0%			
BlackRock T-Fund	Cash	Mutual Fund	394,160	0.0%	0.0%	0.0%			
Treasurer of Virginia	Cash	N/A	5,488,932	0.2%	0.2%	0.0%			
Subtotal - Cash			6,348,114		0.2%	0.0%			
Inflation Indexed Bonds									
State Street Global	TIPS (Core)	Collective Tr	136,298,296	5.1%	5.1%	5.0%			
US Stable Value									
Invesco Institutional	Stable Value (Core)	Collective Tr	137,846,571	5.1%	5.1%	5.0%			
Subtotal - FIXED INCOME							1,405,856,914	52.3%	52.5%
Total Prepaid529 Program			2,686,149,236	100.0%	100.0%	100.0%	2,686,149,236	100.0%	100.0%

Attachment D

OFFEROR DATA SHEET

To Be Completed By Offeror

1. List full name and address(es) of Offeror and any branch offices which shall be responsible for administering the contract.

2. List names and titles of all personnel (supervisory and otherwise) who shall be committed on any resulting contract. Specify names and phone numbers of supervisors who may be contacted by JLARC staff.

3. Indicate the length of time you have been in business providing the types of services described in the Statement of Needs (section III) in the RFP.

_____ years _____ months

4. Check all attachments included with your proposal (described in section V B of this RFP):

- Signed Request for Proposals Cover Sheet.
- Offeror Data Sheet (Attachment D).
- Disclosure of Prior Contracts (Attachment E).
- Narrative statement.
- Staff resumes.
- Names and qualifications of subcontractors (if applicable).
- Evidence of Affiliation with Professional Associations.
- Letters of Reference.

Attachment E

DISCLOSURE OF PRIOR CONTRACTS

To Be Signed By Offeror

In offering a proposal, the offeror discloses that the offeror, personnel employed by the offeror, or persons or firms subcontracting with the offeror for this contract, have had the following previous contracts for investment or related services within one (1) year of the proposal date with Virginia529 or its board members. If the offeror, personnel employed by the offeror, or persons or firms subcontracting with the offeror have no contracts to report, please indicate:

NO CONTRACTS TO REPORT

**Prior contracts with Virginia529 or its board members
within 1 year of proposal date**

Date of contract

Signature in Ink

Printed Name

Title

Date