

ARIZONA STATE TREASURER'S OFFICE

1700 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007



REQUEST FOR PROPOSAL # 12-01

FOR

**MULTI-PASSIVE INDEX MANDATE SEARCH FOR
INVESTMENT MANAGEMENT SERVICES**

*Sealed Written Proposals will be
Accepted until 2:00 p.m. (MST)*

May 25, 2012

Doug Ducey, State Treasurer

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1. INTRODUCTION

The Arizona State Treasurer's Office (ASTO) is soliciting proposals from firms interested in providing passive index investment management services for the Arizona Permanent Land Trust Endowment. More detailed descriptions of these services are set forth under the heading of "Scope of Services."

2. BACKGROUND/PURPOSE

The ASTO is responsible for the investment of approximately \$12.1 billion in investments on behalf of the State of Arizona, its agencies, political subdivisions and the Permanent Land Trust Endowment.

This Request for Proposal is being issued by the ASTO to satisfy the need to hire a firm or firms to provide passive index strategies for both equities and fixed income assets as part of a new asset allocation strategy for the Endowment approved by the Board of Investment. The new strategy goes from two asset classes for the approximately \$3.57 billion fund to a total of ten asset classes. The ASTO plans to shift approximately \$39 million a month (about 1.1%) from existing asset classes to the new asset classes. It is envisioned that the re-balancing to the new asset allocation target will take up to 60 months to complete.

The BOI has adopted passive index strategies for certain of the new asset classes and active strategies for others. This mandate envisions passive strategies for each of the eight target classes until such time as active managers are chosen for those strategies calling for active management.

OFFER AND ACCEPTANCE

Offer

The undersigned hereby offers and agrees to furnish the material, service or construction in compliance with all terms, conditions, Scope of Services and amendments to the solicitation.

By: _____

Title _____

Company _____

Date _____

By signature in the offer section above, the Offeror certifies:

1. The submission of the offer did not involve collusion or other anti-competitive practices.
2. The Offeror shall not discriminate against any employee or applicant for employment in violation of Federal Executive Order 11246, State Executive Order 99.4 or A.R.S. 41-1461 through 1465.
3. The Offeror has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted offer. Failure to provide a valid signature affirming the stipulations required by this clause shall result in rejection of the offer. Signing the offer with a false statement shall void the offer, any resulting contract and may be subject to legal remedies provided by law.

Acceptance

The Offer is hereby accepted.

Office of the State Treasurer

By: _____

Title _____

Date _____

SPECIAL INSTRUCTIONS TO OFFERORS

1 Proposal

Proposals are due at the address listed below on or before 2:00 p.m. (MST) on May, 25, 2012. Responses must include an original plus 5 additional copies that will be used in the evaluation process. An electronic copy in addition to the original and five hard copies must also be sent to marks@aztreasury.gov. The original copy of the proposal should be clearly labeled "ORIGINAL". The material should be in the same sequence as stated in the Request for Proposal. Proposals received after the date and time specified herein will not be considered. Proposals shall be opened publicly at the time and place designated on the cover page of this document. The name of each Offeror shall be read publicly and recorded. All other information contained in the proposals shall be confidential so as to avoid disclosure of contents prejudicial to competing Offerors during any potential process of negotiation. Prices will **NOT** be read at the opening. Proposals will not be subject to public inspection until after contract award. Proposals shall be irrevocable offers for sixty (60) days after the proposal due date.

Office of the State Treasurer
Attn: Mark Swenson, Deputy Treasurer
1700 W. Washington
Phoenix, AZ 85007

TENTATIVE TIMETABLE.

The following is the tentative time schedule for ASTO's search for firms to provide Multi-Passive Index management services. All dates are subject to modification by ASTO.

Issuance of RFP:	May 8, 2012
RFP Question Deadline:	May 16, 2012 2:00 p.m. MST
RFP Response Deadline:	May 25, 2012 2:00 p.m. MST
Notification of Finalists:	Week of June 4, 2012 (Tentative) **
Search Committee Interviews:	Week of June 11, 2012 (Tentative) **
State Board of Investment:	June 26, 2012 (Tentative) **
Projected Funding:	August 1, 2012 (Tentative) **

2 Evaluation Criteria

- 2.1 These minimum criteria must be met for a Proposal to be considered for award:
 - 2.1.1 The Offer must be received by the deadline for submittal.
 - 2.1.2 Offeror must provide a completed contract.
 - 2.1.2 The Offeror must state its interest in performing particular services.
 - 2.1.3 Offeror's answers to the Offeror Questionnaire, Exhibit B and Fee Schedule, Exhibit C, and Passive Assets Under Management, Exhibit D must be responsive and complete.

2.1.4 Offeror's eligible to submit an offer must demonstrate:

1. Must have Assets under Management of at least 20 times the amount the ASTO is seeking to allocate to a manager per asset class.
2. Have at least 5 years experience of managing allocations of similar size allocations per asset class.
3. Have current experience in managing allocations of similar size and nature for a public treasury or public endowment.
4. Acknowledge to ASTO that they are neither under review for serious wrongdoing nor under suspension by the Securities and Exchange Commission or other U.S. securities regulatory body or the CFA Institute.
5. Acknowledge that any portfolio manager, supervisor or client relation manager of the firm is not a direct familial relative of any ASTO Investment Management Division personnel, senior staff of the ASTO, member of the Board of Investment or an employee of any consulting firm hired by the ASTO for the purposes of assisting in the selection of such investment management firm and /or providing direction on the allocation of assets.
6. Disclosure of ANY compensation, consideration, or benefit received from or paid to others for the recommendation of products or services to the ASTO.

2.2 An award shall be made to the responsible Offeror whose proposal is determined in writing to be the most advantageous to the State based upon the evaluation criteria listed below. The Offeror is cautioned that it is the Offeror's sole responsibility to submit information related to the evaluation categories and that the State of Arizona is under no obligation to solicit such information if it is not included with the Offeror's proposal. Failure of the Offeror to submit such information may cause an adverse impact on the evaluation of the Offeror's proposal as to the responsiveness of the proposal and the responsibility of the Offeror.

Fees/Cost of Services	25%
Conformance to Scope of Services	10%
Stability and General Experience of the Firm	20%
Experience and Stability of the Proposed Team	20%
Proposed Process to Perform the Scope of Services	25%
	100%

2.3 Fees/Cost of Services

Provide a fee schedule for the total cost of providing all services necessary under this proposal based on the amount of assets under management on an annual basis. Please see Exhibit C on page 34 for the asset classes listed on page 23.

2.4 Conformance to Scope of Services

The Offeror Questionnaire requires Offeror to submit a written narrative which demonstrates the method or manner in which the Offeror proposes to satisfy the requirements of the Scope of Services. The language of the narrative should be straight forward and limited to fact, solutions to problems, and plans of proposed action. The written narrative should include specific responses to the items listed in the scope of services. ***Please do not submit marketing material.***

2.5 Stability and General Experience of the Firm

2.5.1 Stability of the firm and the expected financial stability of the firm.

- 2.5.2 Experience of the firm in providing investment management services to similar institutional investors.
 - 2.5.3 Stability of the firm's client base, as measured by the number of accounts gained or lost in the subject product since April 30, 2009.
 - 2.5.4 Quality of the client references.
- 2.6 Experience and Stability of the Proposed Team
- 2.6.1 Experience of portfolio manager(s) in providing similar services to similar institutional investors.
 - 2.6.2 Experience of other supporting staff in providing investment management services to similar institutional investors.
 - 2.6.3 Indicate the number of full time dedicated resources (individuals) you will provide in support of the ASTO account if awarded the contract.
 - 2.6.4 Specify if the person managing these resources will be exclusively assigned and responsible for this contract only. If the account manager is working on other accounts, specify the percent of time this individual will dedicate to this contract.
 - 2.6.5 Describe how your firm will organize as a team to optimize its responsiveness to the ASTO. Include how work is reviewed from junior to senior to executive level staff.
- 2.7 Proposed Process to Perform the Scope of Services
- 2.7.1 The narrative should describe a logical progression of tasks and efforts starting with the initial steps or tasks to be accomplished and continuing until all proposed tasks are fully described.
 - 2.7.2 Consistent process implementation, as measured by return consistency, buy/sell disciplines, portfolio construction methodology, and the implementation of risk controls.

UNIFORM INSTRUCTIONS TO OFFERORS

- A. Definition of Terms.** As used in these Instructions, the terms listed below are defined as follows:
- 1. *"Attachment"* means any item the Solicitation requires an Offeror to submit as part of the Offer.
 - 2. *"Contract"* means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Services; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.
 - 3. *"Contract Amendment"* means a written document signed by the ASTO that is issued for the purpose of making changes in the Contract.
 - 4. *"Contractor"* means any person who has a Contract with the State.
 - 5. *"Days"* means calendar days unless otherwise specified.
 - 6. *"Exhibit"* means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

7. “*Offer*” means bid, proposal or quotation.
8. “*Offeror*” means a vendor who responds to a Solicitation.
9. “*Solicitation*” means an Invitation for Bids (“IFB”), a Request for Proposals (“RFP”), or a Request for Quotations (“RFQ”).
10. “*Solicitation Amendment*” means a written document that is signed by the ASTO and issued for the purpose of making changes to the Solicitation.
11. “*Subcontract*” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or my service required for the performance of the Contract.
12. “*State*” or “*State Treasurer*” or “*ASTO*” means the State of Arizona and Department or Agency of the State that executes the Contract.

B. Inquiries

1. Duty to Examine. It is the responsibility of each Offeror to examine the entire Solicitation, seek clarification in writing (inquiries), and examine its’ Offer for accuracy before submitting the Offer. Lack of care in preparing an Offer shall not be grounds for modifying or withdrawing the Offer after the Offer due date and time, nor shall it give rise to any Contract claim.
2. Solicitation Contact Person. Any inquiry related to a Solicitation, including any requests for or inquiries regarding standards referenced in the Solicitation shall be directed solely to the Solicitation contact person. The Offeror shall not contact or direct inquiries concerning this Solicitation to any other State employee unless the Solicitation specifically identifies a person other than the Solicitation contact person as a contact.
3. Submission of Inquiries. The ASTO or the person identified in the Solicitation as the contact for inquiries requires that an inquiry be submitted in writing. Any inquiry related to a Solicitation shall refer to the appropriate Solicitation number, page and paragraph. Do not place the Solicitation number on the outside of the envelope containing that inquiry, since it may then be identified as an Offer and not be opened until after the Offer due date and time. The State shall consider the relevancy of the inquiry but is not required to respond in writing.
4. Timeliness. Any inquiry or exception to the solicitation shall be submitted as soon as possible and should be submitted at least seven days before the Offer due date and time for review and determination by the State. Failure to do so may result in the inquiry not being considered for a Solicitation Amendment.
5. No Right to Rely on Verbal Responses. An Offeror shall not rely on verbal responses to inquiries. A verbal reply to an inquiry does not constitute a modification of the solicitation.
6. Solicitation Amendments. The Solicitation shall only be modified by a Solicitation Amendment.
7. Pre-Offer Conference. If a pre-Offer conference has been scheduled under this Solicitation, the date, time and location shall appear on the Solicitation cover sheet or elsewhere in the Solicitation. Offerors should raise any questions about the Solicitation or the procurement at that time. An Offeror may not rely on any verbal responses to questions at the conference. Material issues raised at the conference that result in changes to the Solicitation shall be answered solely through a written Solicitation Amendment.
8. Persons With Disabilities. Persons with a disability may request a reasonable

accommodation, such as a sign language interpreter, by contacting the Solicitation contact person. Requests shall be made as early as possible to allow time to arrange the accommodation.

C. Offer Preparation

1. Forms: No Facsimile, Telegraphic or Electronic Mail Offers. An Offer shall be submitted either on the forms provided in this Solicitation or their substantial equivalent. Any substitute document for the forms provided in this Solicitation must be legible and contain the same information requested on the forms, unless the solicitation indicates otherwise. A facsimile, telegraphic, mailgram or electronic mail Offer shall be rejected if submitted in response to requests for proposals or invitations for bids.

2. Typed or Ink; Corrections. The Offer shall be typed or in ink. Erasures, interlineations or other modifications in the Offer shall be initialed in ink by the person signing the Offer. Modifications shall not be permitted after Offers have been opened except as otherwise provided under applicable law.

3. Evidence of Intent to be Bound. The Offer and Acceptance form within the Solicitation shall be submitted with the Offer and shall include a signature (or acknowledgement for electronic submissions, when authorized) by a person authorized to sign the Offer. The signature shall signify the Offeror's intent to be bound by the Offer and the terms of the Solicitation and that the information provided is true, accurate and complete. Failure to submit verifiable evidence of intent to be bound, such as an original signature, shall result in rejection of the Offer.

4. Exceptions to Terms and Conditions. All exceptions included with the Offer shall be submitted in a clearly identified separate section of the Offer in which the Offeror clearly identifies the specific paragraphs of the Solicitation where the exceptions occur. Any exceptions not included in such a section shall be without force and effect in any resulting Contract unless such exception is specifically accepted by the ASTO in a written statement. The Offeror's preprinted or standard terms will not be considered by the State as a part of any resulting Contract.

i. Invitation for Offers. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected.

ii. Request for Proposals. All exceptions that are contained in the Offer may negatively affect the State's proposal evaluation based on the evaluation criteria stated in the Solicitation or result in rejection of the Offer. An offer that takes exception to any material requirement of the solicitation may be rejected.

5. Subcontracts. The successful Offeror shall not subcontract any of its responsibilities in the Offer without the prior written consent of the State.

6. Cost of Offer Preparation. The State will not reimburse any Offeror the cost of responding to a Solicitation.

7. Solicitation Amendments. Each Solicitation Amendment shall be signed with an original signature by the person signing the Offer, and shall be submitted no later than the Offer due date and time. Failure to return a signed copy of a Solicitation Amendment may result in rejection of the Offer.

8. Federal Excise Tax. The State of Arizona is exempt from certain Federal Excise Tax on manufactured goods. Exemption Certificates will be provided by the State.

9. Provision of Tax Identification Numbers. Offerors are required to provide their Arizona Transaction Privilege Tax Number and/or Federal Tax Identification number in the space provided on the Offer and Acceptance Form.

9.1 Employee Identification. Offeror agrees to provide an employee identification number or social security number for the purposes of reporting to appropriate taxing authorities, monies paid under this contract. If the federal identifier of the Offeror is a social security number, this number is being requested solely for tax reporting purposes and will be shared only with appropriate state and federal officials. This submission is mandatory under 26 U.S.C. § 6041A.

10. Identification of Taxes in Offer. The State of Arizona is subject to all applicable state and local transaction privilege taxes. All applicable taxes shall be included in the pricing offered in the solicitation. At all times, payment of taxes and the determination of applicable taxes are the sole responsibility of the contractor.

11. Disclosure. If the firm, business or person submitting this Offer has been debarred, suspended or otherwise lawfully precluded from participating in any public procurement activity, including being disapproved as a subcontractor with any Federal, state or local government, or if any such preclusion from participation from any public procurement activity is currently pending, the Offeror shall fully explain the circumstances relating to the preclusion or proposed preclusion in the Offer. The Offeror shall include a letter with its Offer setting forth the name and address of the governmental unit, the effective date of this suspension or debarment, the duration of the suspension or debarment, and the relevant circumstances relating to the suspension or debarment. If suspension or debarment is currently pending, a detailed description of all relevant circumstances including the details enumerated above shall be provided.

12. Solicitation Order of Precedence. In the event of a conflict in the provisions of this Solicitation, the following shall prevail in the order set forth below:

- 12.1 Special Terms and Conditions;
- 12.2 Uniform Terms and Conditions;
- 12.3 Statement or Scope of Services, Exhibit A;
- 12.4 Offeror Questionnaire, Exhibit B
- 12.5 Special Instructions to Offerors;
- 12.6 Uniform Instructions to Offerors; and,
- 12.7 Other documents referenced or included in the Solicitation

13. [Intentionally Deleted].

D. Submission of Offer

1. Sealed Envelope or Package. Each Offer shall be submitted to the submittal location identified in this Solicitation. Offers should be submitted in a sealed envelope or container. The envelope or container should be clearly identified with name of the Offeror and Solicitation number. The State may open envelopes or containers to identify contents if the envelope or container is not clearly identified.

2. Offer Amendment or Withdrawal. An Offer may not be amended or withdrawn after the Offer due date and time except as otherwise provided under applicable law.

3. Public Record. All Offers submitted and opened are public records and must be retained by the State. Offers shall be open to public inspection after Contract award, except for such Offers deemed to be confidential by the State. If an Offeror believes that information in its Offer should remain confidential, it shall indicate as confidential the specific information and submit a statement with its Offer detailing the reasons that the information should not be disclosed. Such reasons

shall include the specific harm or prejudice which may arise. The State shall determine whether the identified information is confidential pursuant to the Arizona Procurement Code.

4. Non-collusion, Employment, and Services. By signing the Offer and Acceptance Form or other official contract form, the Offeror certifies that:

i. The Offeror did not engage in collusion or other anti-competitive practices in connection with the preparation or submission of its Offer; and

ii. The Offeror does not discriminate against any employee or applicant for employment or person to whom it provides services because of race, color, religion, sex, national origin, or disability, and that it complies with all applicable Federal, state and local laws and executive orders regarding employment.

E. Miscellaneous Considerations for Evaluation

1. Unit Price Prevails. In the case of discrepancy between the unit price or rate and the extension of that unit price or rate, the unit price or rate shall govern.

2. Prompt Payment Discount. Prompt payment discounts of thirty (30) days or more set forth in an Offer shall be deducted from the offer for the purposes of evaluating that price.

3. Offer Acceptance Period. An Offeror submitting an Offer under this Solicitation shall hold its Offer open for the number of days from the Offer due date that is stated in the Solicitation. If the Solicitation does not specifically state a number of days for Offer acceptance, the number of days shall be one hundred-twenty (120). If a Best and Final Offer is requested pursuant to a Request for Proposal, a Offeror shall hold its Offer open for one hundred-twenty (120) days from the Best and Final Offer due date.

F. Waiver of Rejection Rights

Notwithstanding any other provision of the Solicitation, the State reserves the right to:

1. Waive any minor informality;
2. Reject any and all Offers or portions thereof; or
3. Cancel the Solicitation.

G. Award

1. Contract inception. An Offer does not constitute a Contract nor does it confer any rights on the Offeror to the award of a Contract. A Contract is not created until the Offer is accepted in writing by the ASTO's (or designee's) signature on the Offer and Acceptance Form. A notice of award or of the intent to award shall not constitute acceptance of the Offer.

2. Effective Date. The effective date of this Contract shall be the date that the ASTO or designee signs the Offer and Acceptance form or other official contract form, unless another date is specifically stated in the Contract.

H. Protests

A protest shall comply with and be resolved according to Arizona Revised Statutes Title 41, Chapter 23, Article 9 and rules adopted there under. Protests shall be in writing and be filed with the ASTO. A protest of a Solicitation shall be received by the ASTO before the Offer due date. A protest of a proposed award or of an award shall be filed within ten (10) days after the protester knows or should have known the basis of the protest. A protest shall include:

- 1.1 The name, address and telephone number of the protester;
- 1.2 The signature of the protester or its representative;
- 1.3 Identification of the purchasing agency and the Solicitation or Contract number;
- 1.4 A detailed statement of the legal and factual grounds of the protest including copies of relevant documents; and
- 1.5 The form of relief requested.

SPECIAL TERMS AND CONDITIONS

1 Term of Contract

1.1 The term of contract shall commence from February 1, 2012, and shall remain in effect for a period of three (3) years thereafter unless terminated, canceled or extended as otherwise provided herein.

1.2 The contract shall not bind nor purport to bind the State for any contractual commitment in excess of the original contract period, except that expiration of the contract shall not require termination of representation in any pending legal action.

2 Project Management

2.1 The Contractor shall appoint a project manager to be responsible for the planning; implementation; and successful completion of all activities during the contract period.

2.2 The Contractor shall, within seven (7) days after the award of the contract, submit a written identification and notification to the Office of the State Treasurer of the name, title, address, and telephone number of one (1) individual within its organization as a duly authorized representative to whom all correspondence, official notices, and requests related to the contractor's performance pursuant to the contract shall be addressed. The Contractor shall have the right to change or substitute the name of the individual described above as deemed necessary with written approval of the State Treasurer.

2.3 The Office of the State Treasurer shall provide the contractor with the name of a contact person who will coordinate all information to and/or from the Contractor.

3 Insurance

3.1 The Contractor shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

3.1.1 The insurance requirements herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance. The contractor shall furnish the State certification from insurer(s) for coverage of employees with limits of liability not less than those stated below.

3.1.1.1 Commercial General Liability (Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.)	
General Aggregate	\$2,000,000
Products - Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Blanket Contractual Liability - Written and Oral	\$1,000,000
Fire Legal Liability	\$ 50,000
Each Occurrence	\$1,000,000

3.1.2 The policy shall be endorsed to include the following additional insured language:

“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor”.

3.1.3 Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

3.2. Professional Liability (Errors and Omissions Liability)

Each Claim	\$1,000,000
Annual Aggregate	\$2,000,000

3.2.1 In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.

3.2.2 The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

4 Disaster Recovery

4.1 The successful Offeror is required to maintain a tested disaster recovery and business continuity plan throughout the term of the contract resulting from this Request for Proposal. This plan, along with any modifications or testing results will be available for review by the ASTO with notice.

4.2 At a minimum, such disaster recovery plan will include information regarding the steps taken to avoid interruptions in service availability to the State of Arizona. The plan must address the recovery time objective (RTO), the recovery point objective (RPO), the establishment of a minimum level of critical support, and a maximum tolerable downtime. Additionally, the plan will include information regarding at least one alternative processing facility, its capacity and capability levels, along with specific methods to provide access to information if the primary system is out of service.

5 SAS-70

The successful Offeror must provide its most current report by its independent auditors of its internal controls. The SAS-70 report must cover the services provided by the contractor resulting from this document.

UNIFORM TERMS AND CONDITIONS

1 Definition of Terms. As used in this Solicitation and any resulting Contract, the terms listed below are defined as follows:

1.1 “Attachment” means any item the Solicitation requires the Offeror to submit as part of the Offer.

1.2 “Contract” means the combination of the Solicitation, including the Uniform and Special Instructions to Offerors, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Services; the Offer and any Best and Final Offers; and any Solicitation Amendments or Contract Amendments.

1.3 “Contract Amendment” means a written document signed by the ASTO or designee that is issued for the purpose of making changes in the Contract.

1.4 “Contractor” means any person who has a Contract with the State.

1.5 “Days” means calendar days unless otherwise specified.

1.6 “Exhibit” means any item labeled as an Exhibit in the Solicitation or placed in the Exhibits section of the Solicitation.

1.7 “Gratuity” means a 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 is received.

1.8 “Materials” means all property, including equipment, supplies, printing, insurance and leases of property but does not include land, a permanent interest in land or real property or leasing space.

1.9 “Procurement Officer” means the person, or his or her designee, duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.

1.10 “Services” means the Scope of Services attached as Exhibit A.

1.11 “Subcontract” means any Contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of the Contract.

1.12 “State” means the State of Arizona and Department or Agency of the State that executes the Contract.

1.13 “State Fiscal Year” means the period beginning with July 1 and ending June 30.

2 Contract Interpretation

2.1 Arizona Law. The Arizona law applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona and the Arizona Procurement Code, Arizona Revised Statutes (A.R.S.) Title 41, Chapter 23, and its implementing rules, Arizona Administrative Code (A.A.C.) Title 2, Chapter 7.

2.2 Implied Contract Terms. Each provision of law and any terms required by law to be in this

Contract are a part of this Contract as if fully stated in it.

2.3 Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:

- 2.3.1 Statement or Scope of Services, Exhibit A;
- 2.3.2 Special Terms and Conditions;
- 2.3.3 Uniform Terms and Conditions;

2.3.4 Documents referenced or included in the Solicitation.

2.4 Relationship of Parties. The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.

2.5 Severability. The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.

2.6 No Parole Evidence. This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document and no other understanding either oral or in writing shall be binding.

2.7 No Waiver. Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.

2.8 Arbitration. The parties to this Agreement agree to resolve all disputes arising out of or relating to this Agreement through arbitration, after exhausting applicable administrative review, to the extent required by A.R.S. § 12-1518 except as may be required by other applicable statutes.

2.9 Counterparts. The parties may execute this Agreement in two or more counterparts, each of which shall be deemed an original and together which shall constitute one and the same document.

3 Contract administration and operation.

3.1 Records. Under A.R.S. § 35-214 and § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other "records" relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.

3.2 Non-Discrimination. Contractor shall comply with Executive Order 2009-9, which mandates that all persons, regardless of race, color, religion, sex, age, or national origin not mentioned in Order shall have equal access to employment opportunities, and all other applicable state and Federal employment laws, rules, and regulations, including the Americans with Disabilities Act. Contractor shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.

3.3 Audit. Pursuant to ARS § 35-214, at any time during the term of this Contract and five (5) years thereafter, the Contractor's or any subcontractor's books and records shall be subject to audit by the State and, where applicable, the Federal Government, to the extent that the books and records relate to the performance of the Contract or Subcontract.

3.4 [Intentionally Omitted].

3.5 Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to the Solicitation Contact Person indicated on the Solicitation cover sheet, unless otherwise stated in the Contract. An authorized Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice to the other and an amendment to the Contract shall not be necessary.

3.6 Advertising, Publishing and Promotion of Contract. The Contractor shall not use, advertise or promote information for commercial benefit concerning this Contract without the prior written approval of the ASTO.

3.7 Property of the State. Any materials, including reports, computer programs and other deliverables, if any, created under this Contract are the sole property of the State. The Contractor is not entitled to a patent or copyright on those materials and may not transfer the patent or copyright to anyone else. The Contractor shall not use or release these materials without the prior written consent of the State.

3.8 Ownership of Intellectual Property. Any and all intellectual property, including but not limited to copyright, invention, trademark, trade name, service mark, and/or trade secrets created or conceived pursuant to or as a result of this contract and any related subcontract (“Intellectual Property”), shall be work made for hire and the State shall be considered the creator of such Intellectual Property. The agency, department, division, board or commission of the State of Arizona requesting the issuance of the contract shall own (for and on behalf of the State) the entire right, title and interest to the Intellectual Property throughout the world. Contractor shall notify the State, within thirty (30) days, of the creation of any Intellectual Property by it or its subcontractor(s). Contractor, on behalf of itself and any subcontractor(s), agrees to execute any and all document(s) necessary to assure ownership of the Intellectual Property vests in the State and shall take no affirmative actions that might have the effect of vesting all or part of the Intellectual Property in any entity other than the State. The Intellectual Property shall not be disclosed by contractor or its subcontractor(s) to any entity not the State without the express written authorization of the agency, department, division, board or commission of the State of Arizona requesting the issuance of this contract.

4 Costs and Payments

4.1 Payments. Payments shall comply with the requirements of A.R.S. Titles 35 and 41, Net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate invoice for payment from the State within thirty (30) days.

4.2 Delivery. Unless stated otherwise in the Contract, all prices shall be FOB. Destination and shall include all freight delivery and unloading at the destination.

4.3 Applicable Taxes.

4.3.1 Payment of Taxes. The Contractor shall be responsible for paying all applicable taxes.

4.3.2 State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect such taxes from the buyer does not relieve the seller from its obligation to remit taxes.

4.3.3 Tax Indemnification. Contractor and all subcontractors shall pay all federal, state

and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall, and require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under federal, and/or state and local laws and regulations and any other costs including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

4.3.4 IRS W9 Form. In order to receive payment the Contractor shall have a current IRS W9 Form on file with the State of Arizona, unless not required by law.

4.4 Availability of Funds for the next State fiscal year. Funds may not presently be available for performance under this Contract beyond the current state fiscal year. No legal liability on the part of the State for any payment may arise under this Contract beyond the current state fiscal year until funds are made available for performance of this Contract.

4.5 Availability of Funds for the current State fiscal year. Should the State Legislature enter back into session and reduce the appropriations or for any reason and these goods or services are not funded, the State may take any of the following actions:

4.5.1 Accept a decrease in price offered by the contractor;

4.5.2 Cancel the Contract;

4.5.3 Cancel the Contract and re-solicit the requirements.

5 Contract changes

5.1 Amendments. This Contract is issued under the authority of the ASTO who signed this Contract. The Contract may be modified only through a Contract Amendment within the scope of the Contract. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by a person who is not specifically authorized by the ASTO in writing or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized written Contract Amendments shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.

5.2 Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the ASTO. The Subcontract shall incorporate by reference the terms and conditions of this Contract.

5.3 Assignment and Delegation. Contractor acknowledges that Contractor's experience and expertise is a substantial consideration in the ASTO's review of the Offer. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the ASTO.

6 Risk and Liability

6.1 Risk of Loss. The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss for nonconforming materials shall remain with the Contractor regardless of receipt.

6.2 Indemnification

6.2.1 Contractor/Vendor Indemnification (Not Public Agency). The parties to this contract agree that the State of Arizona, its departments, agencies, boards and commissions shall be indemnified and held harmless by the Contractor for the vicarious liability of the State as a result of entering into this contract. However, the parties further

agree that the State of Arizona, its' departments, agencies, boards and commissions shall be responsible for its' own negligence. Each party to this contract is responsible for its' own negligence.

6.2.2 The State of Arizona is not authorized to indemnify the Contractor

6.2.2 Public Agency Language Only. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its' officers, officials, agents, employees, or volunteers.

6.3 Indemnification - Patent and Copyright. The Contractor shall indemnify and hold harmless the State against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract. The State shall reasonably notify the Contractor of any claim for which it may be liable under this paragraph. If the contractor is insured pursuant to A.R.S. § 41-621 and § 35-154, this section shall not apply.

6.4 Force Majeure

6.4.1 Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts; or failures or refusals to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence.

6.4.2 Force Majeure shall not include the following occurrences:

6.4.2.1 Late delivery of equipment or materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;

6.4.2.2 Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or

6.4.2.3 Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.

6.4.3 If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and not later than the following working day of the commencement thereof and shall specify the causes of such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

6.4.4 Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

6.5 Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services applied by third parties to the Contractor, toward fulfillment of this Contract.

7 Warranties

7.1 Liens. The Contractor warrants that the materials supplied under this Contract are free of liens and shall remain free of liens.

7.2 Quality. Unless otherwise modified elsewhere in these terms and conditions, the Contractor warrants that, for one year after acceptance by the State of the materials, they shall be:

7.2.1 of a quality to pass without objection in the trade under the Contract description;

7.2.2 fit for the intended purposes for which the materials are used;

7.2.3 within the variations permitted by the Contract and are of even kind, quantity, and quality within each unit and among all units;

7.2.4 adequately contained, packaged and marked as the Contract may require; and

7.2.5 conform to the written promises or affirmations of fact made by the Contractor.

7.3 Fitness. The Contractor warrants that any material supplied to the State shall fully conform to all requirements of the Contract and all representations of the Contractor, and shall be fit for all purposes and uses required by the Contract.

7.4 Inspection/Testing. The warranties set forth in subparagraphs 7.1 through 7.3 of this paragraph are not affected by inspection or testing of or payment for the materials by the State.

7.5 Compliance With Applicable Laws. The materials and services supplied under this Contract shall comply with all applicable federal, state and local laws, and the Contractor shall maintain all applicable licenses and permit requirements.

7.6 Survival of Rights and Obligations after Contract Expiration or Termination

7.6.1 Contractors Representations and Warranties. All representations and warranties made by the Contractor under this Contract shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S. Title 12, Chapter 5.

7.6.2 Purchase Orders. The Contractor shall, in accordance with all terms and conditions of the Contract, fully perform and shall be obligated to comply with all purchase orders received by the Contractor prior to the expiration or termination hereof, unless otherwise directed in writing by the ASTO, including, without limitation, all purchase orders received prior to but not fully performed and satisfied at the expiration or termination of this Contract.

7.7 Scrutinized Business Operations. Pursuant to A.R.S. § 35-391.06 and 35-393.06, the Contractor certifies that it does not have a scrutinized business operation, nor will it invest

state funds in companies with a scrutinized business operation, in Sudan or Iran. For the purpose of this Section the term "scrutinized business operations" shall have the meanings set forth in A.R.S. § 35-391 or and 35-393, as applicable. If the State of Arizona or the Department determines that the Contractor submitted a false certification, the ASTO may impose remedies as provided by law including cancellation or termination of this Agreement.

7.8. Contractors with no operations in Arizona—Federal Immigration and Nationality Act. The contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the contract. Further, the contractor shall flow down this requirement to all subcontractors utilized during the term of the contract. The State shall retain the right to perform random audits of contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the contract for default and suspension and/or debarment of the contractor.

7.9 Contractors with Operations in Arizona.

7.9.1 By entering into the contract, the contractor warrants compliance with the Federal immigration and Nationality Act (FINA) and all other Federal immigration laws and regulations related to the immigration status of its employees. The contractor shall obtain statements from its subcontractors certifying compliance and shall furnish the statements to the Procurement Officer upon request. The contractor and its subcontractors shall also maintain Employment Eligibility Verification forms (I-9) as required by the U.S. Department of Labor's Immigration and Control Act), for all Employees performing work under the contract. I-9 forms are available for download at USCIS.GOV.

7.9.2 Compliance requirements for A.R.S. § 41-4401—immigration laws and E-Verify requirement.

7.9.2.1. Contractors warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A. (That subsection reads: "After December 31, 2007, every employer, after hiring an employee, shall verify the employment eligibility of the employee through the E-Verify program.)

7.9.2.2. A breach of a warranty regarding compliance with immigration laws and regulations shall be deemed a material breach of the contract and the Contractor may be subject to penalties up to and including termination of the Agreement.

7.9.2.3. The Department retains the legal right to inspect the papers of any employee who works on the Agreement to ensure that Contractor complying with the warranty under paragraph 7.9.2.1.

8 State's Contractual Remedies

8.1 Right to Assurance. If the State in good faith has reason to believe that the Contractor does not intend to, or is unable to perform or continue performing under this Contract, the ASTO may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of days specified in the demand may, at the State's option, be the basis for terminating the Contract under the Uniform Terms and Conditions or other rights and remedies available by law or provided by the contract.

8.2 Stop Work Order

8.2.1 The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part, of the work called for by this Contract for period(s) of

days indicated by the State after the order is delivered to the Contractor. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

8.2.2 If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The ASTO shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

8.3 Non-exclusive Remedies. The rights and the remedies of the State under this Contract are not exclusive.

8.4 Nonconforming Tender. Materials or services supplied under this Contract shall fully comply with the Contract. The delivery of materials or services or a portion of the materials or services that do not fully comply constitutes a breach of contract. On delivery of nonconforming materials or services, the State may terminate the Contract for default under applicable termination clauses in the Contract, exercise any of its rights and remedies under the Uniform Commercial Code, or pursue any other right or remedy available to it.

8.5 Right of Offset. The State shall be entitled to offset against any sums due the Contractor, any expenses or costs incurred by the State, or damages assessed by the State concerning the Contractor's non-conforming performance or failure to perform the Contract, including expenses, costs and damages described in the Uniform Terms and Conditions.

9 Contract Termination

9.1 Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is or becomes at any time while the Contract or an extension of the Contract is in effect an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.

9.2 Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement or securing the Contract, an amendment to the Contract, or favorable treatment concerning the Contract, including the making of any determination or decision about contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.

9.3 Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body. Submittal of an offer or execution of a contract shall attest that the contractor is not currently suspended or debarred. If the contractor becomes suspended or debarred, the contractor shall immediately notify the State.

9.4 Termination for Convenience. The State reserves the right to terminate the Contract in whole or in part at any time, when in the best interests of the State without penalty or recourse.

Upon receipt of the written notice, the Contractor shall stop all work, as directed in the notice, notify all subcontractors of the effective date of the termination and minimize all further costs to the State. In the event of termination under this paragraph, all documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State upon demand. The Contractor shall be entitled to receive just and equitable compensation for work in progress, work completed and materials accepted before the effective date of the termination. The cost principles and procedures provided in A.A.C. R2-7-701 shall apply.

9.5 Termination for Default

9.5.1 In addition to the rights reserved in the contract, the State may terminate the Contract in whole or in part due to the failure of the Contractor to comply with any term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. The ASTO shall provide written notice of the termination and the reasons for it to the Contractor.

9.5.2 Upon termination under this paragraph, all goods, materials, documents, data and reports prepared by the Contractor under the Contract shall become the property of and be delivered to the State on demand.

9.5.3 The State may, upon termination of this Contract, procure, on terms and in the manner that it deems appropriate, materials or services to replace those under this Contract. The Contractor shall be liable to the State for any excess costs incurred by the State in procuring materials or services in substitution for those due from the Contractor.

9.6 Continuation of Performance Through Termination. The Contractor shall continue to perform, in accordance with the requirements of the Contract, up to the date of termination, as directed in the termination notice.

Exhibit A: Scope of Services

1.0 General Requirement

1.1 This Request for Proposal is to provide the ASTO the ability to contract with external investment management firm(s) for passive index strategies for the asset classes listed below. The monthly allocations are approximate. Please note that alternative passive index strategies outside of the traditional market capitalization approach (such as GDP weighted for debt or fundamental equity indexes) will be considered:

New Allocation Policy:

Equity (public)	Benchmark	48
US Equity		
Large Cap	S&P 500	13
Mid Cap	S&P 400	5
Small Cap	S&P 600	3
Developed Int. Equity	MSCI EAFE	14
Emerging Markets	MSCI Emerging Markets	12
Frontier	MSCI Frontier Markets Index	1
Investment Grade Fixed Income		30
Investment Grade Bonds	Barclays Aggregate	13
U.S. TIPS	Barclays U.S. TIPS	17
Foreign Debt (IG)	Barclays Global Aggregate	10
Real Assets(public)		12
REITs	FTSE EPRA/NAREIT Global Real Estate Index	2
Infrastructure	S&P Global Infrastructure	5
Natural Resources	S&P Global Natural Resources	5

SIZE OF ASSET ALLOCATIONS FOR THIS CONTRACT:

Asset Class	Monthly	3-year Target	Benchmark
U.S. TIPS	\$10,115,000	\$364,000,000	Barclays US TIPS
Developed Int. Equity	\$8,330,000	\$299,000,000	MSCI EAFE
Emerging Markets*	\$7,140,000	\$278,000,000	MSCI EM
Foreign Debt (IG) *	\$5,950,000	\$214,000,000	Barclays Global Aggregate
Natural Resources	\$2,975,000	\$107,000,000	S & P Global Natural Resources
Infrastructure	\$2,975,000	\$107,000,000	S & P Global Infrastructure
Public Real Estate*	\$1,190,000	\$ 43,000,000	FTSE EPRA/NAREIT Global R.E. Index
Total allocation	\$39,270,000	\$1,413,000,000	

1.2 The three asset classes marked with an asterisk * are anticipated to be awarded to active managers during the next three years through separate manager searches by the ASTO but will be part of a passive allocation until such selections are made.

1.3 Securities purchased by an external fund manager will be required to be held at ASTO's custodial bank and will be subject to existing securities lending program operated by the custodial bank. (J.P. Morgan.)

1.4 Any credit exposure is limited to a 2.5% concentration limit per credit as well as any credit purchased cannot be more than 5% of that credit's issuance. The only exception is United States Government debt.

1.5 Daily market values, holdings reports and compliance of external managers will be provided by ASTO custodial bank as well as monthly performance of accounts. Manager performance will be measured against the benchmarks established for each investment pool.

1.6 All external managers will be compensated out of earnings generated per Arizona Revised Statute § 35-318.

1.7 External managers are expected to meet at least quarterly in person with the Investment Risk Management Committee and annually with the Board of Investment.

EXHIBIT B: OFFEROR QUESTIONNAIRE

A. FIRM INFORMATION

Organizational Information

Please provide the following information:

1. Firm name.
2. Firm headquarters mailing address.
3. Firm headquarters telephone number, including country code.
4. Name of individual(s) completing questionnaire.
5. Individual(s) telephone number(s), including country code(s), and address (s).
6. Individual(s) fax number(s), including country code(s).
7. Individual(s) e-mail address (s).
8. Date questionnaire completed (Day/Month/Year).
9. Firm classification:
 - Bank
 - Insurance Company
 - SEC-Registered Investment Adviser
 - Non-U.S. Registered Investment Manager (country and entity registered with: _____)
 - Other

If other, please explain _____.
10. Brief history of firm, including ownership, with an emphasis on any material developments in the past three years. Please include prior names and the length of time your organization has been in business under its present name and ownership.
11. Organizational chart of firm.
12. Firm's current succession plans.
13. Name of parent firm (if any) and the name of affiliations or subsidiaries (if any).
14. Date of firm inception.
15. Name of regulatory body overseeing the firm, and the dates of registration, as appropriate.
16. Firm's fidelity bond and fiduciary liability insurance policies, including coverage amounts.
17. Location of nearest office to the Arizona State Treasurer's Office.

Firm Personnel

1. Please fill out the following table, listing the number of individuals in each job function. If individuals hold multiple job functions or responsibilities, only count them once under their main responsibility and please detail this in the "Notes" section at the bottom of the table.

Job Function	Number of Employees	Avg. Yrs. Experience	Avg. Yrs. Tenure
Compliance personnel			

Portfolio managers			
Research analysts			
Traders			
Economists			
Client service			
Marketing			
Other staff			
Total firm employees			
Notes:			

Client Service

1. Please indicate the scope of services that will be provided for this account. Please include a description of how client servicing/communication responsibilities are divided between portfolio managers and client service/marketing personnel and how often portfolio managers meet with clients to review the portfolio.
2. Please describe the client-reporting process. How frequently are reports made available?

Compliance

1. Please describe the firm's compliance process.
2. To whom does the chief compliance officer report?
3. When was your firm's last regulatory inspection? Please provide a summary of the inspection results.
4. Has any regulatory body or market authority issued any orders or other sanctions against your firm in the last five years? If yes, please describe.
5. Is your firm or any affiliate the focus of any pending or ongoing litigation, formal investigation, or administrative proceedings related to money management activities? If yes, please describe.
6. Have the principals of your firm been under investigation related to money management activities in the last five years? If yes, please explain

Proxy Voting

1. Please provide the identity of any third-party proxy voting services used by your firm.
2. If your firm uses proxy voting services, how are these firms selected?
3. Please list the amount paid to any proxy voting services used by your firm over the last three years.
4. If your firm uses proxy voting services, are these services paid for directly or through soft dollars?

Governance

1. Please provide a summary of your firm's internal control structure.
2. Please describe any potential conflicts of interest your firm may have in the management of this account. If there are conflicts, please describe how they are addressed.

Trading

1. Please describe any restrictions you may have on client-directed transactions.

- Please describe your policies and procedures concerning trading and execution, including those relating to (i) how your firm seeks to achieve best execution; (ii) how your firm ensures equitable trading for all clients (i.e., the account of one client is not favored above the account of another) and exceptions to this policy, if any; (iii) allocation of trades (e.g., by portfolio manager or automated); and (iv) side-by-side management of hedge funds and other products, if applicable.
- If the firm is affiliated with a broker/dealer, investment bank, insurance company, or other lines of business that are not asset management related, but could present conflicts, briefly describe your firm's policies and procedures for dealing or trading through or with these affiliates.

Brokerage/Soft Dollars

- What is your firm's approach to the use of soft dollar arrangements?

Firm Risk

- Please provide a short biography or resume of the person(s) who is (are) responsible for the overall risk management of your firm.

B. PRODUCT INFORMATION

- Please provide a list of all key personnel involved in the management of this product (i.e., dedicated to the product), including the lead portfolio manager, marketing personnel, and research analysts. For the lead portfolio manager, please include the size and quantity of portfolios he or she currently manages within this product and any other strategies he or she works on. For each individual, please answer in the format below and attach biographies.

Name	Title	Education	Role at Firm	Total Inv. Exp. (years)	Tenure with Firm (years)

Proposed Product

- Please provide the specific name and the inception date of the product under consideration.
- What is the investment objective of this product?
- What benchmark is most appropriate for this product and why?

Assets under Management

- Please fill out the following tables for the current assets under management:

Account Type	Asset Amounts	Number of Accounts
Corporate		
Public fund		
Union/multi-employer		
Foundation and endowment		
Insurance		
Other, please explain		

Total		
-------	--	--

Vehicle Type	Asset by Vehicle	Accounts by Vehicle
Separate account		
Commingled fund		
Mutual fund: institutional class		
Mutual fund: retail class		

	Public Accounts Lost			Public Accounts Gained		
	Number	Dollars (US\$ millions)	% of Product Assets	Number	Dollars (US\$ millions)	% of Product Assets
2011						
2010						
2009						
2008						
2007						
2006						
2005						
2004						
2003						
2002						
2001						

2. Please discuss the reasons for the lost of any accounts indicated in the table above (not including plan terminations).
3. Please provide a representative client list for public funds managed and three client references. For each reference, please include the client's name and the length of the relationship as well as the client's e-mail address and phone number.

Investment Philosophy and Process

1. Please briefly describe your firm's investment philosophy.
2. Please discuss your firm's investment strategy, screening processes, and portfolio construction methodology in general and in terms of how you would manage any funds for the ASTO investment Pools?
3. How do you decide to buy or sell a security?
4. Are portfolios managed by individual managers or teams?
5. Do managers follow a "model" portfolio, and if so, to what extent is management permitted to deviate from such a model portfolio?
6. How frequently are investment policy or strategy meetings held?
7. Describe your credit review process.

8. To what extent does this product use leverage and derivatives? Please explain.

Product Risk

1. Please describe how your firm controls portfolio investment risk.
2. How does your firm currently measure/track risk for a public funds account (e.g., standard deviation, beta, other)?
3. Do you stress test your portfolios? If so, how do you stress test your portfolios?

Research

1. Please provide an overview of your research, including the use of fundamental, technical, and quantitative analyses. Please provide any additional comments that are unique to your firm.

Portfolio Characteristics and Sector Weightings

1. Please fill out the following table for this product, if applicable:

Country/Market	% Weight
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

Specific Questions for Equity

1. Please fill out the following tables if the product in question has an equity mandate:

Strategy

Current average number of holdings for this product	
Historical range average number of holdings	
Average annual turnover (by weight) for this product	
Turnover range for this product	
Realized long-term and short-term capital gains mix over last three years. (If applicable, please provide a note.)	
Current average cash position	
Historical range in cash for this product	

Representative Account Fundamental Characteristics

Current dividend yield	
P/E (trailing 12 months)	
P/E (forward 12 months)	
P/B	
P/Sales	
P/Cash Flows (trailing 12 months)	
Dividend yield	
5-Year ROE	
Earnings growth (past 5 years)	
Earnings growth (next 5 years)	
Avg. weighted market cap	
Weighted median market cap	

- To what extent do you use hedging strategies for this product, including currency hedging and/or any leverage?
- If the product in question has an equity mandate, please fill out **either or both** of the following allocation tables depending on the practice or preference of your firm:

S&P/MSCI Global Industry Classification Standard, Excluding Cash (Invested Portfolio Only)

Industry	% of Portfolio
Consumer discretionary	
Consumer staples	
Energy	
Financials	
Health care	
Industrials	
Information technology	
Materials	
Telecom services	
Utilities	
Other	
Total	100%

Russell Sector Classifications, Excluding Cash (Invested Portfolio Only)

Industry	% of Portfolio
Autos and transportation	
Consumer discretionary	

Consumer staples	
Financials	
Health care	
Integrated oils	
Materials and processing	
Other energy	
Producer durables	
Technology	
Utilities	
Other	
Total	100%

4. What is the distribution of your portfolios managed in this investment approach according to the following capitalization ranges (in U.S. dollars) for the last five years?

Range	% of Portfolio by Year				
	2011	2010	2009	2008	2007
\$0 to \$250 million					
\$250 million to \$500 million					
\$500 million to \$1 billion					
\$1 billion to \$5 billion					
\$5 billion to \$10 billion					
\$10 billion +					
	100%	100%	100%	100%	100%

Fees and Account Minimums

1. Please list your fee schedule on Attachment C for this product. Please include performance-based fees, the basis for those fees, and any other fees that may be applicable to the running of this account.
2. What is the minimum account your firm will accept?
3. Does your firm charge a minimum annual fee? If so, what is this fee? Will it stay the same or change in the future based on some set formula?
4. Under what circumstances are fees negotiable?
5. What is your billing frequency?
6. Have you or will you pay a finder's fee to any third party for business related to this account?

C. PERFORMANCE

Performance

1. If your firm is GIPS® compliant, please attach a GIPS-compliant presentation for similarly managed accounts.
2. If your firm is NOT GIPS compliant, please either attach a chart detailing your firm’s performance for similarly managed accounts for at least the past 5 years, including as much detail as possible beyond merely performance data, OR fill out the following table:

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Number of Portfolios	Total Public Account Composite Assets	Total Firm Assets
2011						
2010						
2009						
2008						
2007						

GIPS Compliance

Please respond to Questions 1–2 if your firm is GIPS compliant:

1. How many years has your firm been GIPS compliant?
2. Has your firm been verified? Please specify the name of your verifier and provide a verification letter. Please provide the number of years your firm has been verified.

Please respond to Questions 3–15 if your firm is NOT GIPS compliant:

3. Please name and define the composite for the strategy that is the subject of this RFP.
4. When presenting gross of fees returns, please disclose if any other fees are deducted in addition to trading expenses.
5. When presenting net of fees returns, please disclose **exactly what** other fees are deducted in addition to the investment management fees and trading expenses.
6. If your firm uses a custom benchmark, please describe the benchmark and the process and rationale behind the creation of this benchmark.
7. Please include a measure of dispersion used for each composite, including the reason why that measure of dispersion was chosen.
8. Please disclose your firm’s treatment of withholding tax on dividends, interest income, and capital gains.
9. Please disclose and describe any inconsistencies in the exchange rates used among the portfolios within a composite and between the composite and its benchmark, **if applicable**.
10. Please disclose the policy used to allocate cash to carve-out returns, **if applicable**.
11. Please disclose the use of any sub adviser(s) and the periods used.
12. Is there a minimum asset level below which portfolios are not included in a composite? If so, what is that level?
13. Please disclose the currency used to express performance.
14. Is additional information regarding policies for calculating and reporting returns available upon request?
15. Please disclose if your firm does not value portfolios at the end of each month (i.e., either the last day of the month or the last business day of the month). If so, please explain why not. \
16. Please disclose trailing one year, three year, five year and since inception data for the following versus the appropriate benchmarks on page 23 (If applicable):

- a) Tracking Error
- b) Information Ratio
- c) Standard Deviation
- d) Sharpe Ratio
- e) Sortino Ratio
- f) R-Squared
- g) Jensen's Alpha
- h) Beta

Exhibit C: FEE PROPOSAL

Proposer Firm Name: _____

Your lowest annual fees in basis points (bps) for managing the account and the required minimum balance presented in the format shown in the table below. If not an SMA or Commingled Fund, please indicate method of achieving the passive index allocation. (For space reasons, this is just an example; please use this format for all asset classes.)

Asset Class: Non-U.S. Equity

Style	Indices	Separate Managed Account (basis points)	Minimum (US\$million)	Commingled Fund			
				Lendable (basis points)	Minimum (US\$million)	Non-Lendable (basis points)	Minimum (US\$million)
<i>Example: Developed International Equity</i>	<i>MSCI EAFE</i>	<i>X bps</i>	<i>\$ XX</i>	<i>X bps</i>	<i>\$ xx</i>	<i>X bps</i>	<i>\$ xx</i>

Asset Class: Non-U.S. Fixed Income

Style	Indices	Separate Managed Account (basis points)	Minimum (US\$million)	Commingled Fund			
				Lendable (basis points)	Minimum (US\$million)	Non-Lendable (basis points)	Minimum (US\$million)
<i>Ex: Dollar Denominated Foreign Debt</i>	<i>BC Global Aggregate</i>	<i>X bps</i>	<i>\$ xx</i>	<i>X bps</i>	<i>\$ xx</i>	<i>X bps</i>	<i>\$ xx</i>

Asset Class: U.S. Fixed Income

Style	Indices	Separate Managed Account (basis points)	Minimum (US\$million)	Commingled Fund			
				Lendable (basis points)	Minimum (US\$million)	Non-Lendable (basis points)	Minimum (US\$million)
<i>Example: TIPS.</i>	<i>Barclays US TIPS</i>	<i>x bps</i>	<i>\$ xx</i>	<i>x bps</i>	<i>\$ xx</i>	<i>xx bps</i>	<i>\$ xx</i>

Are the fees presented above negotiable?

Will the fees presented above remain the same for the term of the contract (normally 3 years)? If not, please explain.

Once an investment manager(s) has been selected, negotiations of the fee may become necessary in order to account for the size of potential funding, the increments of the funding and any clarification. In no case will the negotiations result in a fee that is higher than the fee contained in the proposal.

EXHIBIT D: PASSIVE ASSETS UNDER MANAGEMENT

Proposer Firm Name: _____

For all passive index assets and for each proposed Asset Classes, provide the following information: (For space reasons, this is just an example, please use this format for all asset classes.)

	as of 03/31/12	as of 03/31/11	as of 03/31/10	as of 03/31/09	as of 03/31/08	as of 03/31/07
Total AUM for all passive index products (in US\$ million)						
Total # of accounts						
Average account size (US\$ million)						
# of accounts gained						
Amount (US\$ million) gained						
# of accounts lost						
Amount (US\$ million) lost						
Total AUM for proposed Asset Class #1 (in US\$ million)						
Total # of accounts						
Average account size (US\$ million)						
# of accounts gained						
Amount (US\$ million) gained						
# of accounts lost						
Amount (US\$ million) lost						
Total AUM for proposed Asset Class #2 (in US\$ million)						
Total # of accounts						
Average account size (US\$ million)						
# of accounts gained						
Amount (US\$ million) gained						
# of accounts lost						
Amount (US\$ million) lost						