



Proposal

Conduct Investment Fund Reviews for the
Massachusetts Optional Retirement Program

DHE-ORP-004

Massachusetts Department of Higher Education



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CAFARO
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Since 1981

August 1, 2011

Mr. Stephen W. Lenhardt
Deputy Commissioner for Administration and Finance
Department of Higher Education
One Ashburton Place, Room 1401
Boston, MA 02108-1696

**RE: Request for Proposal – Conduct Investment Fund Reviews
DHE-ORP-004**

Dear Mr. Lenhardt:

Cafaro Greenleaf is pleased to provide our proposal for conducting investment fund reviews of funds available under the Massachusetts Optional Retirement Program Plan. Our extensive expertise in this area and our wholly unbiased approach as independent registered advisor and consultant is ideal for this endeavor. All services performed will be executed by Senior Consultant and Principal level advisors, and true leaders in the industry.

Our Corporate Office and mailing address is:

216 Maple Avenue
Red Bank, NJ 07701

Our New York office is located at:

420 Lexington Avenue, Suite 300
New York, NY 10170

Please direct all questions regarding this proposal to the following, who hereby commits the firm to perform the services outlined in this proposal, and attests to the firm's ability to provide the services requested and contained herein, and to the accuracy of the data we have provided, and is duly authorized to sign this proposal and commit Cafaro Greenleaf to a contract with the DHE.

Wayne K. Greenleaf, AIF®
Managing Partner / Principal
#800-401-4830
jgreenleaf@cafarogreenleaf.com

Cafaro Greenleaf will work continuously and diligently to meet and exceed your expectations, and deliver the most effective solutions to maximize your Plan's value in attracting and retaining competent employees, and helping to optimize their financial well-being in retirement.

We are thrilled for the prospect of working with the Department of Higher Education.
Thank you for the opportunity.

Best Regards,

800.401.4830

732.530.8165 F

216 Maple Avenue

Red Bank, NJ 07701

Wayne K. Greenleaf Jr.
Managing Partner / Principal

Commonwealth of Massachusetts
Department Of Higher Education
Request for Proposals from Qualified Firms to
Conduct Investment Fund Reviews

DHE-ORP-004



1. Solicitation

The Department of Higher Education (“DHE” or the “Department”) as Plan Administrator for the Massachusetts Optional Retirement Program (“ORP” or the “Plan”) seeks to enter into a contract with a qualified firm (Vendor) to conduct investment fund reviews of funds available under the Plan for the 2011 and 2012 Plan Years.

Purpose

The firm selected to fulfill this contract will provide guidance to the DHE in meeting its fiduciary responsibilities related to making certain funds available under the Plan.

To that purpose, the Vendor will:

- assess the appropriateness of each fund’s investment objectives and investment methodology for use in a plan like the ORP;
- provide a review and analysis of each fund’s mid and long term performance;
- provide a review and analysis of each fund’s fee structure; and
- provide a review and analysis of each fund’s manager and management company.

Term of Contract

The term of the contract will begin as soon as is practicable after the award is made and will end on June 30, 2013. The fund reviews will include the following periods:

- Second Quarter 2011
- Third Quarter 2011
- Fourth Quarter 2011
- Annual Review for the Plan Year ending December 31, 2011
- First Quarter 2012
- Second Quarter 2012
- Third Quarter 2012
- Fourth Quarter 2012
- Annual Review for the Plan Year ending 2012

Requirements for submission of proposals are included under Section 6.

A schedule of activities relating to this request for proposals is included in Section 6.

The Department completed a system for evaluating proposals prior to making this document available to the public.

2. Proposal Format

Provide your firm's responses to inquiries by inserting text directly in this document under each respective item. Your notes should include your firm's ability to meet a requirement as well as areas where your firm cannot meet a requirement.

Please begin the insertion of your text with "**RESPONSE:**" which will help distinguish your notes from the original content.

Exception: Your proposed cost must be provided as a separate document; not included in this document as a "Response".

Please also make note of any supporting documentation in your responses.

Where appropriate print, sign and attach any required state forms (see Section 6).

RFP Information Updates

Responses to questions relating to either the Plan or the RFP will be distributed by email to those firms that have either expressed an interest in submitting a proposal or have submitted a proposal under this solicitation.

Updates and other changes to this Request for Proposals will be provided on the Comm-PASS system.

3. About the Optional Retirement Program

The Optional Retirement Program is a non-trusted money purchase plan operating under Internal Revenue Code (IRC) Section 401(a).

The Commonwealth of Massachusetts is the Employer and Plan Sponsor.

The Plan is governed by Chapter 15A Section 40 of the Massachusetts General Laws as Amended (MGLA). The enabling legislation was signed into law on January 4, 1994 and the Plan became effective on October 30, 1995.

Plan Contributions are directed to fully allocated and **self-directed** insurance products and mutual fund accounts that satisfy the requirements of IRC Section 401(f). Four "ORP Providers" offer these accounts: Lincoln Financial Group, Fidelity Investments, TIAA-CREF, and VALIC. The Providers invest plan assets and provide services to Participants and the Plan Sponsor. Current plan assets total approximately \$440M.

The Plan was restated as of July 1, 2010. The Commonwealth is currently soliciting a Letter of Determination from the Internal Revenue Service for the Plan in its current form. The Service issued a favorable Letter of Determination for the Plan in 2007.

Part 610 of the Code of Massachusetts Regulations (Section 11.00), which describes the Plan's operation, was authorized by the legislature in 1996. The content of this Part is currently being revised to reflect changes to the Plan; new administrative procedures, policies and governing statutes.

The Commonwealth operates the Plan as a governmental plan, and does not voluntarily comply with the Employee Retirement Income Security Act (ERISA). However, the Plan follows MGLA ch 32 Section 23 in defining the Commonwealth's fiduciary responsibilities. MGLA ch. 32 Section 23 is (essentially) ERISA's "Prudent Person Rule".

The Plan Year is January 1 through December 31.

The Commonwealth's Fiscal Year ends June 30.

A copy of the Plan Document is available upon request.

Additional information about the Plan is available on the ORP web pages. The URL is www.mass.edu/orpsplit.asp.

4. Provider Products and Funds

Lincoln Financial Group

Lincoln Financial Group (LFG) maintains two products under the Plan:

1. MultiFund Annuity (fixed and variable annuities)
 - No. Fixed Annuity: 1
 - No. Separate Accounts: 48
2. Lincoln Alliance (mutual fund platform with a fixed annuity)
 - No. Fixed Annuity: 1
 - No. Mutual Funds (including Target Date line up): 23

Lincoln Total Funds: 73

Fidelity Investments

Fidelity offers a line-up of proprietary and non-proprietary funds.

- No. Mutual Funds (including Target Date line up): 30

Fidelity Total Funds: 30

TIAA-CREF

TIAA-CREF maintains two products under the Plan. Some funds are available in both products:

1. Group Retirement Annuity (fixed and variable annuities, and proprietary mutual funds)
 - No. Fixed Annuity: 1 (shared with the RC product)
 - No. Separate Accounts: 9 (shared with the RC product)
 - No. Mutual Funds (including Target Date line up): 18
 - 13 funds shared with the RC product

- 5 proprietary funds unique to the GRA product

2. Retirement Choice – “RC” (fixed and variable annuities, mutual funds)

- No. Fixed Annuity: 1 (shared with the GRA product)

- No. Separate Accounts: 9 (shared with the GRA product)

- No. Mutual Funds (including Target Date line up): 18

- 13 funds shared with the GRA product

- 5 non-proprietary funds unique to the RC product

TIAA-CREF Total Funds: 33

VALIC

VALIC maintains two products under the Plan:

1. Portfolio Director II (fixed and variable annuities)

- No. Fixed Annuity: 2

- No. Separate Accounts: 58

2. RSVP (non-proprietary mutual funds and fixed annuity)

- No. Fixed Annuity: 1

- No. Mutual Funds (including Target Date line up): 24

Total VALIC Funds: 85

TOTAL PLAN FUNDS: 221

5. Specifications for Minimum Requirements

Use this section to indicate your firm’s ability to meet each requirement.

Firms submitting a proposal in response to this Request, at a minimum must:

1. be properly and currently licensed to conduct such business in the Commonwealth:

X Company is currently licensed;
 Company is **not** currently licensed.

3. complete and submit all of the forms required under this Request:

 X Yes, all required forms have been completed.
 No, the firm has not complete all required forms.

If not all forms were completed, please identify the form(s) not submitted with a brief note about the company's reason for not completing the form below:

1. Form name and comments.....N/A
- 2.
- 3.

6. Conditions of the Proposal Process

BIDDER RESPONSIBILITY

This RFP has been distributed electronically using the Comm-PASS system. It is the responsibility of every bidder to check Comm-PASS for any addenda or modifications to a solicitation for which they intend to respond. The Commonwealth of Massachusetts and its subdivisions accept no liability and will provide no accommodation to bidders who submit a response based upon an out-of-date solicitation document. Potential bidders are advised to check the "last update" note on the first page of this solicitation; ensuring that they have the most recent version.

Cost: All costs associated with responding to this RFP are the sole responsibility of the responding firm.

Proposal Submission

Bidders' Conference: Potential Vendors may attend a bidder's conference at **10:00 am on Thursday July 14, 2011** to ask specific questions related to this solicitation. The Conference will be held at the Department of Higher Education:

One Ashburton Place
Room 1401

Boston, MA 02108

Vendors are not required to attend, but are responsible for any information/clarifications given at this meeting. If any information is given which is contrary to the specifications given in this proposal document, an amendment to this document will be issued which may or may not change the proposal delivery date.

Bidders' Conference RSVP: Your RSVP should be made via email, using the Program's email box: *ORP@bhe.mass.edu*. The "subject" should be **"Fund RFP RSVP"**

You should include your company name and the names and titles of those attending.

Please indicate your firm's intention to attend the Bidders' Conference no later than **Tuesday July 12, 2011**.

Responses to questions raised during the Bidder's conference will be distributed to attendees via email not later than **Friday July 15, 2011**.

Routine Questions: Specific vendor questions regarding the RFP may be submitted in writing to the DHE via email to the Program's email box: *ORP@bhe.mass.edu*. The "subject" should be **"Fund RFP Question"**.

Responses to these questions will be distributed via email to any and all firms expressing interest in submitting a proposal, as soon as is practical after receiving the inquiry.

The DHE will not respond to any questions received after the deadline for submitting proposals.

Submission: In order to be considered for selection, firms must submit **four** (4) printed copies of a complete, written response and one copy of the document formatted in Microsoft Word ('97 to '03) on a CD to:

Mr. Stephen W. Lenhardt
Deputy Commissioner for Administration and Finance
Department of Higher Education
One Ashburton Place, Room 1401
Boston, MA 02108-1696

Proposed Cost: Your firm must provide its proposal of cost for this contract as a separate document, in a sealed envelope. Please also include your proposed cost as a separate Word file on the CD.

Submission Deadline

Proposals must be delivered to the address noted above *no later than 5:00 p.m. on Wednesday August 3, 2011.*

REQUIRED COMMONWEALTH DOCUMENTS

Affirmative Market Program Plan Form (Attachment III): This Form must be completed and returned as part of each firm's proposal

SAMPLE COMMONWEALTH DOCUMENTS

The following forms are attached to this Request for Proposals for informational purposes only and will be required at contract execution by those firms receiving an award.

Standard Contract Form & Instructions (Attachment IV)

Authorized Signatory Listing (Attachment V)

Commonwealth Terms and Conditions (Attachment VI)

Form W-9 (Attachment VII)

Authorization for Electronic Funds Transfer (Attachment VIII) use this URL to access the form on Operational Services Division web site :

http://www.mass.gov/?pageID=afmodulechunk&L=4&L0=Home&L1=Budget%2c+Taxes+%26+Procurement&L2=Procurement+Information+%26+Resources&L3=Conduct+a+Procurement&sid=Eoaf&b=terminalcontent&f=osd_all_forms&csid=Eoaf

Select "Authorization for Electronic Funds Transfer" link from the right-hand column of forms ("Other Forms/RFR Attachments (Generally Mandatory)")

BIDDER MODIFICATION

The bidder may not alter the RFP or its components except for those portions intended to collect the bidder's response. Modifications to the body of the RFP, specifications, terms and conditions, or any other documents that would change the intent of this RFP are prohibited. Any modifications other than where the bidder is prompted for a response will disqualify the response.

SELECTION PROCEDURE AND EVALUATION CRITERIA

All proposals will be reviewed by the Evaluation Team based on information contained in the Firm's proposal. Proposals will be read and ranked by the Evaluation Team based upon the applicability of the Firm's experience, ability to meet the minimum requirements; the suitability of their services, and cost for their services, as evidenced by the responses provided by the Firm to the RFP. The Evaluation Team may choose to invite selected firms to make oral presentations. Qualitative assessments of firms may be made during oral presentations.

Although cost is a factor in the award decision, final selection will not necessarily be made to the firm offering their product and services for the lowest cost.

The Department of Higher Education will make its final selection on or about **Tuesday August 23, 2011.**

The effective date of the contracts will be a date agreed upon by the successful firms and the Department, as soon as practicable following selection, but not later than **Wednesday August 31, 2011.**

Contract: After reviewing the responses to this RFP, the Department of Higher Education will select the firm that it considers most qualified. The Department of Higher Education will negotiate and award a contract to that firm. The contract document will incorporate by reference all the requirements, terms and conditions of this solicitation and the firms' responses as negotiated.

In the event the Department of Higher Education fails to negotiate a contract with the firm initially selected for this award, the Commonwealth reserves the right to either offer the contract to another firm that has submitted a proposal, or close the solicitation and publish a new Request for Proposals.

With the agreement of the selected firm, the Department of Higher Education reserves the right to amend the contract if it is deemed to be in the best interest of the Plan, its participants and beneficiaries, and it advances the goals and objectives set forth in the contract.

The Department of Higher Education may cancel this Request for Proposals (RFP) or reject RFP responses at any time prior to an award, and is not required to furnish a statement of explanation for why a particular response was not deemed to be the most advantageous. The Department of Higher Education may accept RFP responses in whole or in part.

The Department of Higher Education reserves the right to use any and all ideas included in any response without incurring any obligations to the responding firm or committing to procurement of the proposed services. Responses become the property of the Department of Higher Education.

THE DEPARTMENT OF HIGHER EDUCATION RESERVES THE RIGHT TO REJECT ANY AND ALL RESPONSES AND THE RIGHT TO CANCEL THIS REQUEST FOR QUALIFIED PROPOSALS AT ANY TIME PRIOR TO AWARDING ANY CONTRACTS.

7. Services to be Provided

The Vendor will provide the following services at the end of each calendar year quarter.

Individual Fund Assessments

After the close of each quarter, the Vendor will provide a report to the DHE for each fund that includes these assessments for each fund:

- the continued appropriateness of each fund's investment objective and investment methodology for use under a participant-directed defined contribution retirement plan;
- the reasonableness of each fund's **mid and long term**, investment performance and risk characteristics relative to:
 - Morningstar peer groups;
 - risk characteristics of other funds in its asset class;
 - appropriate benchmarks;
- the reasonableness of the fund's expense and fee structures relative to other funds in its asset class and/or peer group;
- the potential impact on a fund's viability of fund management firm and/or personnel changes, industry trends and federal or state regulatory changes;
- identify any funds that merit either placement on or removal from a Watch List, reflecting the Vendor's judgment of cumulative information reported above;
- identifying any funds whose characteristics fail to such a degree that the Vendor would recommend immediate action by the Commonwealth to remove such funds from the Plan;
- identify funds that exhibit particular strength in the criteria noted above; meriting special recognition.

Annual Reviews

After the close of each Plan Year (Dec. 31), the Vendor will provide an annual review of the Plan's funds. The annual review will entail the following aspects:

- completion of the fourth quarter's individual fund reviews;
- preparation for in-depth discussions with each of the four Providers concerning:

- characteristics of individual funds that have either improved or deteriorated during the year;
- appropriateness of the addition and/or replacement of funds in each Provider's respective line-up under the Plan; and
- appropriateness of re-negotiating individual fund expenses and fees.

On-site Meetings

The Vendor will present each of its quarterly reports to the DHE; providing a review of the quarter's results and any special issues that the Vendor identifies as pertinent to the Plan.

The Vendor will present its annual reviews to the DHE and attend the annual review with each of the four Providers.

The Vendor must be available to attend meetings of the Plan's oversight committee and Board of Higher Education meetings throughout the year as warranted by either the results of their reviews or request by the DHE.

Ad hoc Access

The Vendor should be willing to address issues raised by the DHE, *ad hoc*, during the course of the contract.

Data Source

Generally, the data required for these exercises will be provided by the DHE. To the extent the Vendor solicits data directly from the Providers, such data will be considered property of the Department and must be delivered to the DHE prior to the end of the contract term.

Confirmation

1. The firm will complete the required quarterly reviews: **X** Yes No
2. The firm will complete the required annual reviews: **X** Yes No
3. The firm will make the required visits to the DHE: **X** Yes No

Comments

Please provide any comments on the firm's ability and/or willingness to provide the services required under this section:

Response:

Cafaro Greenleaf is fully ready, willing and able to provide the services required in this Request For Proposal. We are ideally suited to the tasks required herein, as our sole business concern is advising on retirement programs and reporting on the performance of their investments.

8. About the Firm Submitting the Proposal

A. What is the name of the firm?

Response:

The Cafaro Group, LLC, t/a Cafaro Greenleaf

www.CafaroGreenleaf.com

B. How is this firm organized (*e.g.* corporation; LLP; etc)?

Response:

The firm is a New Jersey Limited Liability Corporation

C. Is the firm privately owned? If not, describe its ownership. If the firm is a subsidiary of another company, then name the parent company and its ownership structure.

Response:

Cafaro Greenleaf is a privately owned, wholly independent, and unbiased firm. It is not held or owned by any other company.

All securities are offered through Financial Telesis, Inc., our broker dealer.

D. Provide the location of the firm's main office.

Response:

Corporate Office and Mailing Address:

216 Maple Avenue

Red Bank, NJ 07701

t 800-401-4830

t 732.530.8129

f 732.530.8165

New York Office :
420 Lexington Avenue, Suite 300
New York, NY 10170

E. How long has your firm been engaged in the institutional investment consulting business?

Response:

Cafaro Greenleaf has been retirement plan advisors and consultants to corporate, public, and institutional clients, nationwide for over 30 years.

F. Document their experience in conducting investment fund reviews for defined contribution retirement plans by reporting the number of such projects completed by the Vendor below:

Response:

260* fund reviews completed in 2010;

720* fund reviews completed over the past three years;

1200* fund reviews completed over the past five years.

*Number is approximate and denotes fund line up review, analysis and performance reporting.

G. What professional liability insurance coverage or bonds are maintained by your firm for errors, omissions, or any other acts committed by your firm or its employees?

Response:

Cafaro Greenleaf maintains: Errors & Omissions Coverage of \$10 million
Workers Compensation
General Liability of \$4 million

H. What percentage of the business' activities is attributable to reviewing defined contribution retirement plans? 80%

The balance of our work is attributable to advising on other types of retirement programs.

I. Is there pending litigation against your firm, other than routine claims matters? If so, provide details of each case.

Response:

There is no pending, nor has there ever been throughout our 30 year plus year history, any litigation or administrative actions against Cafaro Greenleaf or its partners.

9. Company Personnel

A. Identify the primary contact at the firm responsible for responding to inquiries about the firm's proposal:

Contact Name:	Wayne Greenleaf
Contact Title:	Managing Partner / Principal
Contact Telephone No.:	(732) 530-8129
Contact Email Address:	wgreenleaf@cafarogreenleaf.com
Contact Mailing Address:	216 Maple Avenue Red Bank, NJ 07701

B. Provide a brief professional biography of the individuals at the firm who would be in primary contact with the Plan Administrator should the firm be awarded this contract:

Response:



Jamie D. Greenleaf, AIF[®]
General Partner / Principal

A recognized expert in the retirement plan space, Jamie has been with Cafaro Greenleaf for 18 years and a principal and partner since 1995. She holds a B.A. in Business Administration from Delaware Valley College, is a Registered Financial Advisor with

Series 7, 24, 63, and 65, is Life Insurance licensed, and has earned the Accredited Investment Fiduciary® (AIF®) professional designation awarded by the Center for Fiduciary Studies. Jamie has been a recognized Vice President, Retirement Plan Advisor with UBS Financial and a Vice President, Retirement Advisor with Prudential Securities, consistently ranking among the top advisors and producers at both firms. Jamie was named one of the *TOP 300 Most Influential Advisors in Defined Contribution* by *401k Wire*™ and has presented at the national *Mid-Size Pension and Retirement Plan Management Conference*. She recently was named one of *planadvisor*™ magazine's *Top 100 Retirement Plan Advisors* in the nation. She has provided consulting services in all areas of plan management and oversight, including plan design, fees and services benchmarking, investment management selection and monitoring, fiduciary and regulatory compliance, investment policy design, and financial education to many Fortune 500 and other publicly traded companies. These clients include such well-known names as McGraw Hill, Avis Budget, Bax Global, The Body Shop, Meridian Health, and the NJ Turnpike Authority.

Jamie is known for her extensive knowledge and passion for the Industry, and her keen ability to guide, support and educate Plan Trustees, Plan Sponsors, and Plan Participants alike.



Dorann J. Cafaro, PRP®, AIF®
Founder / Senior Consultant

Dorann is the firm's founding partner, with roots going back as far as 1981. She also is among the founders for National Retirement Partners, a leading national network of independent retirement experts. Dorann has been widely nationally recognized throughout the retirement industry. She was named Retirement Advisor of the Year by PLANSPONSOR magazine, was named by 401k Wire as one of the 50 most influential people in the 401k retirement industry, is a frequent and keynote speaker on the retirement industry at national conferences and seminars, has provided retirement education and consulting services for Fortune 500 companies, and has testified in front of the USDOL. Dorann was inducted into the national *Hall of Fame* for Retirement Advisors in 2011.

Dorann has been a Regional Director of Retirement Services for Prudential Investments, a Corporate V.P. and National Director of Retirement Planning for PaineWebber, and a Senior Vice President of Marketing for a leading money management firm. She holds a

B.S. from Marquette University in mathematics, and is Series 7, 8, 63, 65 and Health and Life licensed. With 30 plus years in the financial industry, Dorann is recognized for her unique and unbiased consulting advice, and genuine care for the financial well-being of the retirement plan, sponsor, and participants.

10. Client References

Provide at least two current client references for the firm's institutional investment consulting business. The first reference should be for the client most recently engaged by the firm; the second for the client with which the Vendor has maintained its longest relationship.

Response:

Reference 1

Name: Kathy Long

Title: Manager, Human Resources

Organization: The Farfield Companies

Mailing Address: 312 East Meadow Valley Road, PO Box 387, Lititz, PA, 17543

Email Address: kathy.long@farfield.net

Telephone No.; (717) 626-4781

Date the firm was engaged by this client: 2010

Is this an ongoing relationship or a one-time project: Ongoing Relationship

Brief Description of the work completed for this client: Full Registered Investment Advisory Services / Plan Design / Investment Performance Reporting, Monitoring and Recommendations

Reference 2

Name: Vicki Brewster

Title: Vice President, Human Resources

Organization: Arris Group

Mailing Address: 3871 Lakefield Dr. Suite 300, Suwanee, GA, 30024

Email Address: vicki.brewster@arrisi.com

Telephone No.; (678) 473-8332

Date the firm was engaged by this client: 1995

Is this an ongoing relationship or a one-time project: OnGoing Relationship

Brief Description of the work completed for this client: Full Registered Investment Advisory Services / Plan Design / Investment Performance Reporting, Monitoring and Recommendations

Cafaro Greenleaf currently works with approximately 60 active clients providing similar services proposed in this RFP. There are currently five (5) advisors dedicated to servicing the needs of these clients. A sampling of our representative clients is below.



11. Methodology & Resources

A. Describe the methodology your firm would utilize to conduct these fund assessments and provide the annual reviews.

Response:

Cafaro Greenleaf has invested significant resources in monetary terms as well as human capital, into our firm's proprietary Plan and Investment Reporting System. All of our investment services are done in-house, and we subscribe to four distinct outside databases and analytic services for investment research.

- Cafaro Greenleaf reviews the following for each investment monitored according to the Plan's Investment Policy Statement:
- over 12 performance criteria: 5 yr R-squared, 1,3 & 5 year return verse peers, 5 yr Up-Down ratio, 3 & 5 yr information ratio, 3& 5 yr Beta, manager tenure, relative expense ratio
- over 22 fiduciary criteria: including style consistency, composition, percentage of US stocks, turnover ratio, standard deviation, assets under management
- and a proprietary risk/return analysis looking at peers that the plan could be using rather than all Morningstar peers.
- Cafaro Greenleaf also uses a customized investment search capability which allows us to evaluate any combination of criteria that a manager reports, whether as a mutual fund or a separate account manage

B. What would you use as a source of information about the funds (*e.g.* the DHE; directly from the Provider; independent source)?

Response:

In addition to using your provider's analysis, our in-house proprietary system uses and analyzes data from all of the following resources to generate output:

- Mobius database
- PSN database
- S&P database
- M-Search Investment Manager database
- Morningstar database
- fi360 database
- Zephyr database

C. Would you contact the Provider directly with questions about a fund, data, fee structure etc? Would you contact the DHE? The fund management company?

Response:

Cafaro Greenleaf will always work very closely with your provider(s) to help monitor every aspect of your plan, including the investments. The DHE would be involved in this process as much or as little as you so choose.

Furthermore, we routinely conduct interviews with portfolio managers, and have direct contacts at all of the major fund companies. Cafaro Greenleaf utilizes our state-of-the-art and proprietary plan management system to analyze all of our client's investment vehicles on an ongoing basis. We encourage our plan sponsors to be involved in this process as much as they have the ability to do so.

D. Please provide a sample of your quarterly report to the DHE and a sample of the information you would prepare for each Provider's annual review.

Response:

We have included a sample quarterly report and sample fee-benchmarking study that we conduct on an annual basis. These reports are constantly being updated and upgraded to provide state of the art data.

E. Provide other comments about your firm's methodology and analytical resources that are pertinent to this solicitation.

The Massachusetts Department of Higher Education will be a very important relationship to Cafaro Greenleaf. In addition to having the full capabilities of Cafaro Greenleaf at your disposal, you will also have a direct line to two senior partners at all times. Throughout the industry, there are few names that are more synonymous with retirement plans than is Cafaro Greenleaf. We feel that experience and attention to detail is what sets us apart from our competitors. In addition to reporting capabilities and fiduciary assistance, Cafaro Greenleaf separates itself through knowledge, experience and tangible and realistic solutions to our clients. Our value proposition is not as much what you see during a quarterly investment review, but more what you don't see throughout the year in terms of analytics, design, and strategy sessions.

12. Special Requirements

Describe any special requirements your firm would need to fulfill this contract (*e.g.* third party authorizations to access data).

Response:

We do not anticipate any special requirements in order to fulfill our obligations described herein.

13. Proposed Cost

Provide your firm's best estimate of the cost and time required to fulfill the contract as described in this Request for Proposals. While the Department of Higher Education would prefer a flat fee for this contract, firms may propose hourly rates. If you propose an hourly rate, you must also provide an estimate of the hours required to complete each component of the project (*e.g.* each quarterly report; annual reviews).

Proposal Format: Your firm must provide its proposal of cost for this contract as a separate document, in a sealed envelope. Please also include your proposed cost as a separate Word file on the CD.

Please see attached proposal.

14. Inconsistencies

Please identify and describe any aspects of the Request for Proposals with which the firm's proposal does not conform.

Response:

We do not see any aspects of the Request for Proposal that we cannot or have not conformed to.

Respectfully Submitted,

Wayne Greenleaf

Wayne K. Greenleaf Jr., AIF

Managing Member / Principal



Additional Information

Testimonials



Defined Contribution 401k Plan / Approx. Total Plan Assets: \$40 MM

I have been especially pleased with the advice and counsel provided by Cafaro Greenleaf. Our investment committee meets at least once a year, and the independent assessment of fund performance is enlightening and certainly the unbiased input could not be provided by our plan administrator. We receive excellent suggestions and input on plan design changes as well as current regulatory changes which impact our plan. We are also able to have any internal communications reviewed by an industry expert to make certain that our communications are accurate and provide the latest information to our employees. I have personally found the independent assessment of our plan to be invaluable. Cafaro Greenleaf has become a trusted resource to guide us through the maze of regulations impacting 401(k) plans.

-John E. Warren, III, VP
Worldwide Human Resources &
Corporate Services



Pension Plan and 401k Plans / Approx. Total Plan Assets: \$215

Million

It was terrific working with you through this process. Your expertise and insight was invaluable!
– Laurie

As I told the Pension and Benefit committee, you are the best consultant I have ever worked with! You truly added value to the process, a lot of value. If you ever expand into other areas (say bank accounts), let me know, I would love to work with you again. – Brenda



Defined Benefit and 401k Plans / Approx. Total Plan Assets: \$1.57 Billion

I have to give you credit for helping me figure out what I wanted to do. I learned so much working with you and was always impressed by your depth of knowledge. I truly admire your leadership style and your demeanor. Thank you for what you have provided me. Best wishes to you. - Aida



I have worked with Cafaro Greenleaf Retirement Plan Advisors for several years. What sets them apart is a consistently unbiased commitment to putting the needs of their clients first. Both Dorann and Jamie have always demonstrated the integrity, expertise and commitment to helping their clients succeed that keeps them at the forefront of the industry. Cafaro Greenleaf epitomizes the type of retirement advisory firm by which all others will be measured. All of us at MassMutual consider it a privilege to help them deliver outstanding value and service to their clients.

Jonathan Shuman, Managing Director
Retirement Services



Diversified Investment Advisors partnership with Cafaro Greenleaf over the years has greatly enhanced our ability to provide plan sponsors and their participants discerning expertise, innovative solutions, and exceptional service. Diligent, knowledgeable, and responsible is how I view the Cafaro Greenleaf team of retirement plan professionals.

Joe Masterson, Senior Vice President
Chief Sales & Marketing Officer



The Cafaro Greenleaf group has provided vital feedback and insight that has helped to shape our business models, as well as the retirement industry landscape. Their commitment, expertise, and dedication to better outcomes for their clients align with our values and has given them a strong and positive reputation in the retirement marketplace.

Jamie Kalamarides, Senior Vice President
Institutional Full Service Retirement



In a marketplace filled with salesmen, the professionals at Cafaro-Greenleaf break that mold. Over the years, I have found them to be very client driven and truly an advocate for their clients. By focusing on the retirement plan market, they bring a level of knowledge and experience which few others can match.

John Pallotta III
Director of Sales

Our firm and its partners are honored to have received considerable recognition including:



Awarded National Retirement *Advisor of the Year* by PLANSponsor® magazine,
the industry's leading national journal



Named one of the country's TOP Retirement Plan Advisor's for 2010 by PlanAdvisor®



Named time and again among the industry's *most influential people* by 401k Wire® online.



Affiliate and among the founders of National Retirement Partners® (NRP),
a leading national network of independent *retirement experts*



Founding Member of the Institutional Retirement Income Research Council (IRIRC), whose overall mission is to support and facilitate the culture shift of retirement plans



Testified in front of the US Department of Labor's Advisory Council.



Winner of NJBIZ™ Magazine's Forty Under 40 Award, honoring the 40 **most dynamic and professionally committed business leaders** under the age of 40 throughout NJ.

Cafaro Greenleaf has been a Guest columnist with numerous articles in industry publications, and are frequent and sought after speakers at industry conferences including:



I. Is there pending litigation against your firm, other than routine claims matters? If so, provide details of each case.

Response:

There is no pending, nor has there ever been throughout our 30 year plus year history, any litigation or administrative actions against Cafaro Greenleaf or its partners.

9. Company Personnel

A. Identify the primary contact at the firm responsible for responding to inquiries about the firm's proposal:

Contact Name:	Wayne Greenleaf
Contact Title:	Managing Partner / Principal
Contact Telephone No.:	(732) 530-8129
Contact Email Address:	wgreenleaf@cafarogreenleaf.com
Contact Mailing Address:	216 Maple Avenue Red Bank, NJ 07701

B. Provide a brief professional biography of the individuals at the firm who would be in primary contact with the Plan Administrator should the firm be awarded this contract:

Response:



Jamie D. Greenleaf, AIF[®]
General Partner / Principal

A recognized expert in the retirement plan space, Jamie has been with Cafaro Greenleaf for 18 years and a principal and partner since 1995. She holds a B.A. in Business Administration from Delaware Valley College, is a Registered Financial Advisor with

Series 7, 24, 63, and 65, is Life Insurance licensed, and has earned the Accredited Investment Fiduciary® (AIF®) professional designation awarded by the Center for Fiduciary Studies. Jamie has been a recognized Vice President, Retirement Plan Advisor with UBS Financial and a Vice President, Retirement Advisor with Prudential Securities, consistently ranking among the top advisors and producers at both firms. Jamie was named one of the *TOP 300 Most Influential Advisors in Defined Contribution* by *401k Wire*™ and has presented at the national *Mid-Size Pension and Retirement Plan Management Conference*. She recently was named one of *planadvisor*™ magazine's *Top 100 Retirement Plan Advisors* in the nation. She has provided consulting services in all areas of plan management and oversight, including plan design, fees and services benchmarking, investment management selection and monitoring, fiduciary and regulatory compliance, investment policy design, and financial education to many Fortune 500 and other publicly traded companies. These clients include such well-known names as McGraw Hill, Avis Budget, Bax Global, The Body Shop, Meridian Health, and the NJ Turnpike Authority.

Jamie is known for her extensive knowledge and passion for the Industry, and her keen ability to guide, support and educate Plan Trustees, Plan Sponsors, and Plan Participants alike.



Dorann J. Cafaro, PRP®, AIF®
Founder / Senior Consultant

Dorann is the firm's founding partner, with roots going back as far as 1981. She also is among the founders for National Retirement Partners, a leading national network of independent retirement experts. Dorann has been widely nationally recognized throughout the retirement industry. She was named Retirement Advisor of the Year by PLANSPONSOR magazine, was named by 401k Wire as one of the 50 most influential people in the 401k retirement industry, is a frequent and keynote speaker on the retirement industry at national conferences and seminars, has provided retirement education and consulting services for Fortune 500 companies, and has testified in front of the USDOL. Dorann was inducted into the national *Hall of Fame* for Retirement Advisors in 2011.

Dorann has been a Regional Director of Retirement Services for Prudential Investments, a Corporate V.P. and National Director of Retirement Planning for PaineWebber, and a Senior Vice President of Marketing for a leading money management firm. She holds a

B.S. from Marquette University in mathematics, and is Series 7, 8, 63, 65 and Health and Life licensed. With 30 plus years in the financial industry, Dorann is recognized for her unique and unbiased consulting advice, and genuine care for the financial well-being of the retirement plan, sponsor, and participants.

10. Client References

Provide at least two current client references for the firm's institutional investment consulting business. The first reference should be for the client most recently engaged by the firm; the second for the client with which the Vendor has maintained its longest relationship.

Response:

Reference 1

Name: Kathy Long

Title: Manager, Human Resources

Organization: The Farfield Companies

Mailing Address: 312 East Meadow Valley Road, PO Box 387, Lititz, PA, 17543

Email Address: kathy.long@farfield.net

Telephone No.; (717) 626-4781

Date the firm was engaged by this client: 2010

Is this an ongoing relationship or a one-time project: Ongoing Relationship

Brief Description of the work completed for this client: Full Registered Investment Advisory Services / Plan Design / Investment Performance Reporting, Monitoring and Recommendations

Reference 2

Name: Vicki Brewster

Title: Vice President, Human Resources

Organization: Arris Group

Mailing Address: 3871 Lakefield Dr. Suite 300, Suwanee, GA, 30024

Email Address: vicki.brewster@arrisi.com

Telephone No.; (678) 473-8332

Date the firm was engaged by this client: 1995

Is this an ongoing relationship or a one-time project: OnGoing Relationship

Brief Description of the work completed for this client: Full Registered Investment Advisory Services / Plan Design / Investment Performance Reporting, Monitoring and Recommendations

Cafaro Greenleaf currently works with approximately 60 active clients providing similar services proposed in this RFP. There are currently five (5) advisors dedicated to servicing the needs of these clients. A sampling of our representative clients is below.



11. Methodology & Resources

A. Describe the methodology your firm would utilize to conduct these fund assessments and provide the annual reviews.



Advisor's To Retirement Programs, Nationwide
Since 1981

PROPOSAL

Massachusetts Department of Higher Education

Cafaro Greenleaf will Conduct Investment Fund Reviews, Analysis, and Provide Recommendations for the Massachusetts Optional Retirement Program

Full Scope of Services

Quarterly Investment Reports and Reviews

- Produce and deliver custom, quarterly reports on investment performance
- Attendance at quarterly trustee meetings and review of investment reports
- Investment Monitoring
 - Unbiased research
 - Mobius database
 - PSN database
 - S&P database
 - M-Search Investment Manager database
 - Morningstar database
 - fi360 database
 - proprietary analytics with using the Zephyr database
 - Investment search capabilities
 - Mutual funds
 - Separate account managers
 - Collective Trust funds
- Monitoring Retirement Industry
 - Changes and trends that may affect your Plan(s)
 - Compliance monitoring

Cafaro Greenleaf will provide the following detailed services at the end of each calendar year quarter:

Individual Fund Assessments

After the close of each quarter, Cafaro Greenleaf will provide a customized and detailed report to the DHE for each fund that includes these assessments for each fund:

- the continued appropriateness of each fund's investment objective and investment methodology for use under a participant-directed defined contribution retirement plan;
- the reasonableness of each fund's **mid and long term**, investment performance and risk characteristics relative to:
 - o Morningstar peer groups;
 - o risk characteristics of other funds in its asset class;
 - o appropriate benchmarks;
- the reasonableness of the fund's expense and fee structures relative to other funds in its asset class and/or peer group;
- the potential impact on a fund's viability of fund management firm and/or personnel changes, industry trends and federal or state regulatory changes;
- identify any funds that merit either placement on or removal from a Watch List, reflecting the Vendor's judgment of cumulative information reported above;
- identifying any funds whose characteristics fail to such a degree that the Vendor would recommend immediate action by the Commonwealth to remove such funds from the Plan;
- identify funds that exhibit particular strength in the criteria noted above; meriting special recognition.

Annual Reviews

After the close of each Plan Year (Dec. 31), Cafaro Greenleaf will provide an annual review and benchmarking of the Plan's funds. The annual review will entail the following aspects:

- completion of the fourth quarter's individual fund reviews;
- preparation for in-depth discussions with each of the four Providers concerning:
 - o characteristics of individual funds that have either improved or deteriorated during the year;
 - o appropriateness of the addition and/or replacement of funds in each Provider's respective line-up under the Plan; and
 - o appropriateness of re-negotiating individual fund expenses and fees; and
 - o **a complete Benchmarking of all Plan Investment costs together with our vendor partner; Fiduciary Benchmarks Inc.™**

On-site Meetings

Cafaro Greenleaf will present each of its quarterly reports to the DHE; providing a review of the quarter's results and any special issues that the Vendor identifies as pertinent to the Plan.

Cafaro Greenleaf will present its annual reviews to the DHE and attend the annual review with each of the four Providers.

Cafaro Greenleaf will be available to attend meetings of the Plan's oversight committee and Board of Higher Education meetings throughout the year as warranted by either the results of their reviews or request by DHE.

Ad hoc Access

Cafaro Greenleaf will address issues raised by the DHE, *ad hoc*, during the course of the contract.

Cafaro Greenleaf will maintain a toll-free hotline for both participants and committee members to ask any questions that may have regarding the Plan, the funds, or individual investment advice.

Term of Contract

The term of the contract will begin as soon as is practicable after the award is made and will end on June 30, 2013. The fund reviews will include the following periods:

- Second Quarter 2011
- Third Quarter 2011
- Fourth Quarter 2011
- Annual Review for the Plan Year ending December 31, 2011
- First Quarter 2012
- Second Quarter 2012
- Third Quarter 2012
- Fourth Quarter 2012
- Annual Review for the Plan Year ending 2012

Total Flat Contract Fee for All Advisory and Plan Services Listed Herein July 1, 2011 through June 30, 2013

\$ 96,000

- **Advisory Fee is payable in eight (8) equal quarterly installments of \$12,000 each**
- **Total Fee is inclusive of all travel and other charges. There will be no additional charges.**

Qualifications:

All review work, advising and investment review and monitoring on The Plan(s) will be performed by a registered financial advisor, Senior Partner of Cafaro Greenleaf.

Respectfully Submitted,

Wayne Greenleaf

Wayne K. Greenleaf, AIF™
Managing Partner / Principal

Date: 8-1-11