

Defined Contribution Plan Investment, Administration, and Recordkeeping
Vermont State Treasurer's Office
Questions Due: June 20, 2012
Answers Posted: June 25, 2012
Proposals Due: July 9, 2012 by 2:00 pm Eastern Standard Time

QUESTIONS & ANSWERS

- 1.) The RFP states, "Cost Proposals must be packaged separately from Technical Proposals and sealed in a separate envelope, so labeled. Bidders must submit seven (7) bound copies of their technical proposal and cost proposal, each packaged separately."

Can you please confirm if this means 2 separate packages with each proposal in a separate package. Or just cost proposals in one box and technical proposal in another?

- A.) This refers to seven (7) bound copies of the applicant's cost proposal in a box/envelope and seven (7) bound copies of the applicant's technical proposal in a box/envelope. The intent is that cost proposals are sealed separate from technical proposals. Both can be transmitted in a single package.

- 2.) Can you provide copies of the plan document for both plans?

- A.) We have posted both plan docs in the RFP section of our website..

- 3.) How often do representatives meet with employees to provide financial education? (counseling or group seminars). What is the expectation going forward?

- A.) Please refer to the section on communication (page 12 of the RFP). The State would like to hear from the applicant what their recommendations and plans are for communications in their responses.

- 4.) Are the current accounts institutionally owned? If a new recordkeeper is chosen will the investment transfer in bulk to the new vendor?

- A.) Everything would be mapped over to the new record keeper with a time period for plan participants to option out of their mapped allocation.

- 5.) Is there anything that the State or employees would like to change about the plan (additional financial education, advice, investment options, roth, self-directed brokerage feature)?

- A.) The State would like to hear from the applicant their recommendations for changes, if any, to the plan.

- 6.) How often should an account manager meet with the committee and benefits staff annually?
- A.) The State expects the account manager to meet with the committee and benefits staff at a minimum semi-annually, and possibly quarterly.
- 7.) Section 2.3.4: Is a CFA required, or will other industry designations (i.e. CRPC, CFP, etc.) be acceptable?
- A.) The State will accept a charter relevant to financial counseling, such as a CRPC or CFP.
- 8.) Section 2.3.5: Are ticker symbols for each of the current underlying investment options available?
- A.) (Note that there is a managed income/stable value fund that does not have a ticker)

Stock Investments

Large Cap

DOMINI SOCIAL EQ INV	DSEFX
FID DIVIDEND GR	FDGFX
FID EQUITY INC	FEQIX
SPTN 500 INDEX ADV	FUSVX

Mid-Cap

FID LOW PRICED STK	FLPSX
SPTN EXT MKT IDX ADV	FSEVX

Small Cap

LD ABBETT SMCPVAL A	LRSCX
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International

COL/ACORN INTL Z	ACINX
FID DIVERSIFD INTL	FDIVX
VANG TOT INTL STK S	VTSGX

Blended Investments

AMERICAN BALANCED R4	RLBEX
FID FREEDOM 2000	FFFBX
FID FREEDOM 2005	FFFVX
FID FREEDOM 2010	FFFCX
FID FREEDOM 2015	FFVFX
FID FREEDOM 2020	FFFDX
FID FREEDOM 2025	FFTWX
FID FREEDOM 2030	FFFEX
FID FREEDOM 2035	FFTHX
FID FREEDOM 2040	FFFFX
FID FREEDOM 2045	FFFGX
FID FREEDOM 2050	FFFHX
FID FREEDOM INCOME	FFFAX

VANG BAL IDX SIG

VBASX

Bond Investments

Stable Value

FID MGD INC PORT

n/a

Income

PIM TOT RT III INST

PTSAX

PIMCO TOT RETURN ADM

PTRAX

VANG TOT BD MKT SIG

VBTSX

9.) Please provide a breakdown of participants actively contributing versus those with balances that are not actively contributing.

A.) State plan employees with a balance greater than zero: 646

State plan employees actively contributing: 385

Percentage actively contributing: 59.6%

Municipal plan employees with a balance greater than zero: 563

Municipal plan employees actively contributing: 293

Percentage actively contributing: 52.04%

10.) How many employees are eligible for each plan?

A.) This data is not available. Please refer to the historical data in section 2.1.1 of the RFP.

11.) Is the expectation that all existing assets will move to the new provider immediately, at a plan level without restrictions or penalties?

A.) The State would plan to map over all existing plan level assets. The State would accept restrictions relevant to changes in the plan offerings, such as an equity wash.

12.) How many different locations for on-site service and enrollment meetings?

A.) The State would like to hear from the applicant their recommendations for on-site service and enrollment meetings.

13.) What is the current level of on-site service? Is the state happy with this current level of service?

A.) Please see response to question #12.

14.) The RFP states "Are funds focused on "alternatives" or emerging markets available (e.g. real estate, commodities, etc)?" Are you looking for providers to include

alternative categories in our mapping or for providers to just cover the major asset classes as identified on page 8 of the RFP.

A.) The State would like the applicant to specify what, if any, alternate asset allocation scheme they would offer to participants if they were not restricted to the major asset classes as identified on page 8 of the RFP.

15.) Are the Stable Value Assets fully liquid?

A.) Participants may draw funds daily from the Fidelity Managed Income Portfolio; Plan-level withdrawals require 12 months' notice. Refer to answers #29 and #30 below for additional information

16.) Can you please provide plan documents for both plans

A.) Please see the answer to question #2 above

17.) Would you be able to provide the RFP in a word document format, specifically attachment D - Cost Matrix

A.) Yes. The Cost Matrix has been updated with better formatting.

18.) On page 11 "Forfeiture" - can you please describe the current process on how the forfeiture of employer contributions is remitted to the plan sponsor.

A.) Please refer to the plan documents. See question #2 above.

19.) Please confirm you would like stats on page 25 question 16 as of 12/31/11 and not 3/30/12.

A.) Yes please provide statistics as of 12/31/11.

20.) Please confirm that Attachment C should include the current Plan Investment Assets and not something we need to complete for submission.

A.) Please disregard Attachment C and reference page 17 of the RFP.

21.) Please reference page 38; Section 4.5.1 Plan Costs/ Performance Date: Current fund options and assets under management for each fund option for the State and for the Municipal Plans are shown in Attachment C, Plan Investment Assets.

A.) Please see response to question #20.

22.) Why is the plan(s) going out to bid at this time?

A.) The State periodically goes out to bid due to established protocols and to test the market.

23.) Does the plan(s) have an on-going investment consultant?

A.) No.

24.) Can you provide us the DB plan formula for both the State and Municipal plan?

A.) Yes, please reference our website for this information.

<http://www.vermonttreasurer.gov/retirement/state-group-comparison>

25.) Are both of these calculations updated on a publicly available site?

A.) DB calculations are, DC has no benefit to calculate and everything with their investments and accounts is handled between the member and the company

26.) Will the State provide demographic data for both plans? Does it include:

- a. Current salaries- Yes
- b. Years of service- Yes
- c. Start date- Yes and date eligible for election, both dates are sometimes necessary in the comparison and not the same
- d. Marital status- No
- e. Other factors that are necessary to calculate the benefit- SSN#, date of birth, years in our other DB groups

A.) Please see the Plan features documents in the RFP section of our website.

27.) Stable Value Cashflow: Please provide yearly (2010, 2011 and YTD 2012) stable value cashflow activity for the State of Vermont plans broken down by deposits, withdrawals and transfers (exchanges to/from stable value option to other investment options in the plan). Please see the attached file "SV Cashflow Sample – State of Vermont.xls".

State Plan				
	Contributions	Withdrawals	Transfers*	Total
2010	\$96,585.00	-\$1,003,843.06	\$1,159,596.96	\$252,338.90
2011	\$60,852.76	-\$369,541.17	-\$120,464.87	(\$429,153.28)
YTD 5/31/12	\$20,865.50	-\$238,432.94	-\$22,980.01	(\$240,547.45)
Municipal Plan				
	Contributions	Withdrawals	Transfers*	Total
2010	\$89,395.69	-\$256,530.25	-\$5,052.25	(\$172,186.81)
2011	\$78,847.24	-\$529,685.99	\$258,429.23	(\$192,409.52)
YTD 5/31/12	\$37,864.47	-\$62,905.18	-\$6,397.61	(\$31,438.32)
Total				
	Contributions	Withdrawals	Transfers*	Total
2010	\$185,980.69	(\$1,260,373.31)	\$1,154,544.71	\$80,152.09
2011	\$139,700.00	(\$899,227.16)	\$137,964.36	(\$621,562.80)
YTD 5/31/12	\$58,729.97	(\$301,338.12)	(\$29,377.62)	(\$271,985.77)

*In/out of stable value option to other investments within the plan lineup.

- 28.) Stable Value Demographics: Please provide the stable value assets for the State of Vermont plans broken down between actively employed and inactive participants by age band. Please see the attached file "SV Demographic Sample – State of Vermont.xls"

State Plan			
Participant Age Group	Actives	Inactives	Total
0-30	\$0	\$0	\$0
31-40	\$6,912	\$13,743	\$20,655
41-50	\$193,260	\$301,866	\$495,127
51-60	\$1,226,068	\$433,260	\$1,659,328
61+	\$790,025	\$1,013,813	\$1,803,838
Total	\$2,216,265	\$1,762,682	\$3,978,947

Municipal Plan			
Participant Age Group	Actives	Inactives	Total
0-30	\$0	\$560	\$560
31-40	\$153,470	\$7,163	\$160,633
41-50	\$132,667	\$60,251	\$192,919
51-60	\$237,543	\$83,288	\$320,831
61+	\$633,520	\$234,233	\$867,753
Total	\$1,157,200	\$385,496	\$1,542,696

Total			
Participant Age Group	Actives	Inactives	Total
0-30	\$0	\$560	\$560
31-40	\$160,383	\$20,906	\$181,288
41-50	\$325,928	\$362,118	\$688,045
51-60	\$1,463,610	\$516,548	\$1,980,158
61+	\$1,423,545	\$1,248,046	\$2,671,591
Total	\$3,373,465	\$2,148,177	\$5,521,643

29.) Are there any restrictions on the transfer of assets from the Managed Inc Port (e.g. 12 month put, market value adjustment, etc)?

A.) Plan Sponsor Level:

Full plan sponsor-initiated withdrawals from the Fidelity Managed Income Portfolio must be preceded by twelve months written notice.

Participant Level:

Participant-initiated benefit responsive withdrawals from the Fidelity Managed Income Portfolio are paid immediately at book value. Participants may transfer between eligible plan investment options daily in accordance with plan provisions. Any transfers out of Fidelity's Managed Income Portfolio must be held in an eligible investment option for 90 days before subsequent transfers to a competing fund can occur. However, transfers into the Portfolio from competing funds may occur on any business day. A competing fund is an investment option in which 50 percent or more of the assets in the option are invested

in money market instruments or fixed-income investments with an average duration of less than three years.

30.) Will the market value and book value for the stable value option equal? If no, please provide the current market to book ratio.

A.) It is possible for the Market Value to equal the Book Value. At this time, the Market Value of the portfolio exceeds the Book Value. The Current Market to Book Ratio for the Managed Income Portfolio (MIP) equals 102.7 percent as of May 31, 2012.

31.) The RFP states there are 77 participating employers in the plan. Are each of these employers coded on the recordkeeping system as separate divisions? In theory there could be 400 separate divisions the record keeper would need to keep track of if even one employee from every city, town, county, etc. elected to participate in the DC plan?

A.) The current comparison system is not expected to keep track of the entities that offer the DC Plan, in fact, the only division the comparison programs needs to know is whether the comparison is being done for a State employee or a Municipal employee, since the rules pertaining to each are different. The only data the current comparison is expected to hold are the individual comparisons that have been done for the members that have been entered.

32.) Is the healthcare contribution made by the employer held as a separate money source in the plan?

A.) The contributions are held in an "other post-employment benefit" (OPEB) account.

33.) The RFP indicates there is a "full range" of payout options available to participants, can we get more detail regarding these options?

A.) Please see the answer to #2 above.

34.) Please provide the number of days of on-site education provided by Fidelity for each plan.

A.) This information is not available. The State would like the applicant to submit their education plan for our participants.

35.) Please provide ticker symbols for the existing funds.

A.) Please see answer to question #8 above.

36.) Please clarify what the State means by 'PM' as used in the Cost Matrix

A.) Post mapping.

37.) Page 40 states: This part of the proposal must be bound separately and sealed in an envelope separate from the technical proposal and be labeled "Cost Proposal." Cost information is NOT to be provided in any other part of the bidder's proposal. Does the Cost Proposal include Attachment B - Confidentiality Agreement, Attachment C - Plan Investment Assets, and Attachment D - Cost Matrix?

A.) Please disregard Attachment C. Attachment D has been reposted as a word document for ease of use. Attachment B should be included in the Technical Proposal.

ATTACHMENT D – COST MATRIX

Plan Administration/Investments Cost Matrix: State Plan Municipal Plan Common Provider Both Plans

Please provide direct and indirect costs of plan administration and investments based on the following matrix:

<u>Fund & Share Class</u>	<u>Post Mapping Assets \$ mil.</u>	<u>Fund Management Fees %</u>	<u>Fund 12b-fees%</u>	<u>Fund Other Fees</u>	<u>Total Fund Fees%</u>	<u>Total Fund fees \$ at PM Assets</u>	<u>Sharing \$ Revenue Sharing %</u>	<u>Annual Revenue Sharing \$ at PM Assets</u>
Fund A								
Fund B								
Fund C etc.	_____					_____		_____
TOTALS	\$XX.XX mil.					\$XXX,XXX.00		\$XXX,XXX.00
Add total per participant fees (if any) assuming _____ participants								\$XXX,XXX.00
Add any other fees (if any; specify type)								<u>\$ XX,XXX.00</u>
Total fees based on _____ participants and post map assets								<u>\$XXX,XXX.00</u>