



Maryland Teachers & State Employees Supplemental Retirement Plans
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April 11, 2017

Question & Answers #2

Request for Proposals (RFP) for
Investment and Defined Contribution Plan Consulting Services

Solicitation # G50R7400001

Below are answers to the questions received before April 5, 2017 from interested parties in this procurement.

An electronic copy will be available from our website:

<http://msrb.maryland.gov/procure.htm>

Signed,

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1. Are the services outlined in the RFP consistent with the current consultant's scope of work? If not, what is different?

Answer: Services described in the RFP include three additional responsibilities. The current contract requires consultant support in *evaluating proposals* related to a stable value manager search. This RFP requires consultant support *evaluating proposals* related to a plan administrator search as well. The ongoing requirement for an in-depth and comprehensive biennial report on the Plans now additionally requires a review of managed account services and a sample of the managed account service's recommended investment allocations for participants. Finally, this RFP continues to require comment and drafting assistance for participant communication materials and now specifically requires the consultant to prepare an investment analysis and

commentary section for our Comprehensive Annual Financial Report (CAFR) each year.

2. Please describe your past experience with the annual Board planning meetings. What topics have been covered? Have these meetings been held at MSRP offices, or other locations? Are there initiatives or Plan changes that resulted from past meetings? If yes, please briefly identify them.

Answer: We have had two Board planning meetings in the recent past—both held near the BWI airport at the Conference Center at the Maritime Institute . In October of 2014, the Board was presented a forward-focused agenda including discussion of behavioral economics, retirement income adequacy, options for additional plan features, and themes related to DC plan investment options. In October of 2016, many Board members had been newly appointed. The meeting was designed to be an orientation event. The agenda covered subjects including MSRP board meeting functions, fiduciary basics, written investment policies, investment performance analysis reports, and developments in stable value management. The objective of both meetings was to increase Board member knowledge and discourse regarding defined contribution plans, and we believe these meetings were successful in that goal.

3. Please identify if there are additional topics/changes you would like to have covered in future annual Board planning meetings.

Answer: None have been identified at this time.

4. Please briefly describe the responsibilities of the consultant during the plan administrator search. For instance, would the consultant develop the RFP, or would the consultant review and comment on an RFP developed by Staff? Would the consultant participate in evaluation meetings and finalist interviews or site visits?

Answer: The consultant is requested to provide a written evaluation of each responsive proposal received and background information about the Offeror. The RFP development and management of the procurement process are completed by Board staff with Department of Budget & Management oversight.

5. When do you anticipate the plan administrator search will begin?

Answer: Later this year.

6. Minimum qualifications – Can you confirm that section 1.1 is seeking respondents to list the requested detail (assets, participants, # investments, # participants in payout, contact information, etc.) for two plans exceeding \$500 million, and not all of the respondents clients with over \$500 million?

Answer: One of the minimum qualifications is two engagements with 457(b), 401(k), 403(b) or 401(a) defined contribution plans, each with assets exceeding \$500,000,000. The Offeror shall give evidence that this requirement has been met by providing—for the minimum two comparable plans—data on plan size, number of covered participants, number of investment options, number of participants in payout, and the frequency of asset transfers permitted. The Offeror shall also provide a listing of all such engagements in the past five years as further evidence of the company’s experience and resources. The detailed information required for the minimum two comparable plans is preferred but not required for the greater list of “all such engagements”.

6. Can you please provide the annual dollar fee amount being paid to the current consultant?

Answer: The incumbent’s contract currently commits payments up to \$155,000 per year, payable monthly.

7. In section 33, page 94, the RFP references fiduciary services. Is the MSRP interested in 3(21) co-fiduciary or 3(38) discretionary fiduciary services?

Answer: In the RFP Attachment M – Contract, Section 35. Fiduciary Status with Respect to the Board, the Contractor acknowledges that it is a fiduciary with respect to the investment advice it provides to the Board. That same Section also, in part, states that the Board acknowledges that it retains all decision making authority with respect to the management and administration of the Plans. The RFP does not describe “3(38) discretionary fiduciary services”.

8. Would MSRP accept and consider 3(38) discretionary price quote?

Answer: No such request is made. See the answer immediately above.

9. Is Nationwide’s Go-Pro service a 3(38) discretionary, fiduciary service for participants? Is it delivered in person at the worksite, local Maryland office and/or by telephone?

Answer: The Nationwide ProAccount service is a managed account advice service for separately enrolled participants which was implemented at the beginning of 2017. The advice program offers individualized investment advice using an investment process developed by an independent financial expert—Wilshire. Under the program the independent financial expert develops and maintains managed account portfolios based on all eligible investment options available under the Plan’s menu of investments. Enrollment may be on paper or on-line, including a ProAccount agreement and questionnaire. Once accepted, the enrolled account is maintained at a central location for a maximum additional fee of 0.50%. The service process and operations have no relation to this RFP.

10. Can you please provide a copy of the Nationwide Go-Pro participant agreement and fee schedule?

Answer: The Nationwide ProAccount managed account service process and operations have no relation to this RFP.

6. Is there anything you would like the new consultant to do differently, improve and/or provide additional services?

Answer: The RFP has been carefully developed to clearly indicate the required services, deliverables and resources to be proposed.

7. Can you please identify the number of participants and the amount of plan assets in the Nationwide Go Pro risk-based/managed account portfolios?

Answer: The managed account service process and operations have no relation to this RFP.

8. In section 2.31, page 9 under the scope of services, the RFP states the contractor should provide advice and assist with respect to participant communications. Would you be interested in the consultant providing a review of current TPA participant education plan, website, and materials?

Answer: No, consultant assistance with participant communications is on a request basis for certain projects only.

9. Would it be helpful to have the consultant capable to review Spanish education materials?

Answer: The RFP does not request non-English language services.

10. Will scope of services include assisting with issuing and evaluating an RFP for DC plan administrative services currently provided by Nationwide?

Answer: See Answer to Question 4 above.

11. Would it be helpful to have the consultant provide regulatory support regarding the new DOL fiduciary rule (scheduled to go into effect, if not delayed, on April 10th 2017) and provide related training to MSRP field representative staff on operating within the DOL guidelines?

Answer: The RFP, in Section 2.3.2 *Defined contribution Plan Consulting*, requires the Contractor to provide "...(f) recommendations on tax, securities and other regulatory requirements necessary for the Plans to continue their tax favored status..." which would

include the type of regulation change noted. MSRP staff training is otherwise already accommodated.

12. We noted the 5% MBE goal in the contract. Is this established as a guide and/or limit?

- a) Could we submit a MBE participation plan with a higher percentage level of participation?
- b) Is there a specific cap or maximum percentage of MBE participation that would be acceptable for MSRP contracting?
- c) Based on MD procurement regulation, is there a minimum percentage of work required that the prime needs to conduct?

Answer: The RFP indicates this procurement includes an MBE goal of 5% and includes, in Section 4.26 Minority Business Enterprise Goals, detailed information about the process and required reporting regarding MBE subcontracting and payment. The MBE goal is not a maximum, nor are there any precise percentage limits. If an MBE meets the minimum qualifications, that MBE firm may submit a proposal as the prime contractor. On the other hand, an Offeror may not subcontract a major portion of the scope of work to a subcontractor that fails to meet the minimum qualifications.

13. Can you please provide us with a list of companies and contacts that expressed interest in this RFP and/or submitted questions to facilitate MBE participation?

Answer: Attendees at the Preproposal conference have already been circulated and posted on our website, and our email list is available from these distributions. Our most recent email list is included on the last pages of this document.

14. Regarding the scope of services, are monthly performance reports required? Are fee evaluation studies for administrative and investment management services required?

Answer: The RFP does not require monthly performance reports or specific fee evaluation studies. RFP Section 2.3.7 itemizes the reports required of the Contractor in the normal course of business. However, Section 2.3.2 does relate to additional but relevant assistance required due to changes or developments impacting on Plan operations.

15. Is there currently a schedule of solicitation for the investment management options? Put another way: is there a contract schedule similar to what's in place for the plan administrator and stable value structure manager?

Answer: There is no such schedule. RFP Attachment P is the written investment policy regarding the products selected for participant selections. Investment product searches are precipitated by performance or other concerns relative to the existing investment menu, or by recommendations from the Contractor usually in the context of the biennial report on the Plans or some other special incident highlighted by the Contractor, or raised by the Board.

16. What is the approximate level of manager turnover in the structure? How many searches have been conducted in the last 3 calendar years and are searches produced using an RFP process or another type of procurement (e.g. consultant driven search)?

Answer: There were three mutual fund searches in 2016, and one in 2015. There were none in 2014. These search reports have been developed by the consultant for replacement of funds with performance and other concerns to provide the Board with a short list of nominations including a comprehensive array of data comparing each candidate.

17. Do any of the existing fund options offer revenue sharing?

Answer: In the MSRP investment options menu there are revenue sharing arrangements for 5 mutual funds and the entire T. Rowe Price Target Retirement Fund series. All revenue sharing is included in the MSRP Mutual Fund Savings Program, so that revenue sharing is used to purchase additional shares in the source fund, and those shares are distributed to invested participant accounts on a pro rata basis.

18. On Page 10, Section 2.3.5, a “sample of recommended investment allocations for participants” is requested as part of the Biennial Report. We did not see an example of “recommended investment allocations for participants” in the excerpts of the Biennial Report included as Attachment R. Can you please provide a sample of “recommended investment allocations for participants” from an old Biennial Report so that we can better understand the service requirements?

Answer: The Nationwide ProAccount service, was first implemented at the beginning of this year. No such managed account service or recommended investment allocations were available in prior biennial report cycles.

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