

STATE OF NEW HAMPSHIRE
 DEPARTMENT OF ADMINISTRATIVE SERVICES
 STATE HOUSE ANNEX
 25 CAPITOL STREET
 CONCORD, NEW HAMPSHIRE 03301-6398

ADDENDUM #2 TO BID INVITATION #2015-175

DATE OF BID OPENING: May 5, 2015

TIME OF BID OPENING: 4:00 PM

FOR: Deferred Compensation Services: Investment Management, Recordkeeping/ Administration, Communication/Education, Participant on Site Services and Custodial Trustee Services

Questions and Answers:

Stable Value

1. Can you provide the Investment Policy Statement for the NH Stable Value Fund?

The SVF IPS is attached to the RFP download package as Exhibit C.

2. With regard to the stable value fund:

- a. Please provide a copy of the latest portfolio report, including holdings.

This is not applicable to your bid and will be provided to the successful bidder.

- b. Please provide detailed cash flow history disaggregated into the components (contributions, disbursements, transfers, etc.)

	Contributions	Distributions	Transfers	Total
2014	\$5,516,263	-\$7,175,907	-\$1,120,766	-\$2,780,410
2013	\$5,417,591	-\$5,206,595	\$1,188,344	\$1,399,340
2012	\$6,137,657	-\$6,087,028	\$1,913,754	\$1,964,383

Contributions = Contributions + Loan Repayments

Distributions = Loans + Hardships + Other Disbursements (e.g. separation from service)

Transfers = Transfers In – Transfers Out

- c. What are the fees associated with the current Great West Life (“GWL”) stable value product? Please provide a breakdown of the fees and description of services included.

Investment management: 0.10%

Wrap: 0.15%

Revenue sharing:	0.27%
Other:	0.00%
Total fee:	0.52%

- d. What are the termination provisions of the current GWL product? Describe what happens if market value is below book value and if market value is above book value.

The current product is a separate account and can either be transferred in cash or moved in-kind. The State would receive market value in any case.

- e. Please provide a copy of the current stable value contract with GWL.

This is not applicable to your bid.

- f. Please provide the most recent quarterly and annual reports that were provided as per the document Investment Guidelines for New Hampshire Stable Asset Fund (Separate Account) - Attachment A, "Reporting" section, items A, B, and C.

This is not applicable to your bid.

- g. How much of the 2.67% Crediting rate is from the amortized gain?

Up until 12/31/14 the amortized gain was contributing .81%. With the change in the crediting rate formula on 12/31/14 (see Question #8) the amortized gain from the 2010 transfer is still contributing to the crediting rate, but it is now accounted for in the overall market value of the portfolio.

- h. What is the frequency of Crediting Rate resets?

Quarterly

- i. As per the document Investment Guidelines for New Hampshire Stable Asset Fund (Separate Account) - Attachment A, "Loans from the General Account" section, what is the current spread applicable to loans from GWL's General Account?

This is not applicable to your bid.

- j. Has the Fund ever taken a loan from GWL's General Account?

No

- k. Given that the Equity Wash Rule is typically for 90 days, please explain the reason for 180 days being used with the current GWL product.

The contract was implemented in 2010 and is a function of the wrap environment at that time. There are no competing funds in the line-up and the State does not anticipate adding any so this has not applied.

3. Can we bid on the Stable Value section independent of the Administrative Services section?

No

4. Please provide the yearly (2012, 2013 and YTD 2014) cashflow activity for the Stable Value Account for the State of New Hampshire broken down by Deposits, Withdrawals and Net Transfers (exchanges to/from stable value option to other investment options in the plan). Please see the attached file "SV Cashflow Sample".

	Contributions	Distributions	Transfers	Total
2014	\$5,516,263	-\$7,175,907	-\$1,120,766	-\$2,780,410
2013	\$5,417,591	-\$5,206,595	\$1,188,344	\$1,399,340
2012	\$6,137,657	-\$6,087,028	\$1,913,754	\$1,964,383

Contributions = Contributions + Loan Repayments

Distributions = Loans + Hardships + Other Disbursements (e.g. separation from service)

Transfers = Transfers In – Transfers Out

5. Please provide the Stable Value assets for the State of New Hampshire plan broken down between actively employed and inactive participants by age band. Please see the attached file "SV Demographic Sample.xls"

This is not applicable to your bid.

6. Please provide the 12/31/2014 dollar amount of stable value assets and variable assets (or assets by fund) for the participating political subdivisions identified on page 8.

As of 12/31/14, there were \$15,746,259 total assets of which \$4,901,863 were in stable value.

7. Copy of stable value investment policy statement (I have a copy of your general investment policy statement and want to verify if the State has a separate IPS for stable value fund).

The SVF IPS is attached to the RFP download package as Exhibit C.

8. Copy of stable value crediting rate set formula.

$$CR=(1+YTM)(MV/BV)^{(1/D)}-1$$

Where:

CR - Credited Rate

YTM – Yield to Maturity

MV – Market Value

BV – Book Value

D – Duration

9. Page 15 - Section 1: Introduction/Overview - With respect to the stable value fund, as of December 31, 2014, the market value is \$104,181,408. The book-to-market ratio is 103.6%. Assets are available for either a cash or in-kind transfer. Please confirm that the full market value at the time of transition will be available should the current stable value fund be terminated/replaced (ex. \$104,181,408, or 103.6% market value as of 12/31/14).

Confirmed. The current product is a separate account.

10. What is the current fixed account rate?

2.58% for January 2015 – March 2015.

2.67% for April 2015 – June 2015.

11. What is the current crediting rate for the New Hampshire Custom Stable Value fund?

2.58% for January 2015 – March 2015.

2.67% for April 2015 – June 2015.

12. Is there a reason for the negative cash flow for 2014?

	Contributions	Distributions	Transfers	Total
2014	\$5,516,263	-\$7,175,907	-\$1,120,766	-\$2,780,410
2013	\$5,417,591	-\$5,206,595	\$1,188,344	\$1,399,340
2012	\$6,137,657	-\$6,087,028	\$1,913,754	\$1,964,383

The distributions are about \$331,000 in loans with the remainder being separation from service (mostly retirements). Net transfers out resulted from campaigns on investment diversification, increased emphasis on managed accounts, and participants moving assets in a rising equity market.

13. What is the GMIR for the custom Stable Value fund?

The guaranteed minimum is 0%

Plan Information/Payroll

1. The RFP notes there are currently 33 participating political subdivisions with active participants. How many of the remaining 235 subdivisions join the plan on average each year?

The number has been low. One of the goals of the new contract would be for the successful bidder to assist in promoting the benefits of participation in the State plan.

2. Is there a list available of all of the subdivisions in the State with the number of employees associated with each?

The State does not keep a list like this. The NH Municipal Association (www.nhmunicipal.org) may have one available for purchase.

3. Where are the current local offices provided by the existing service provider?

The current office is in Concord, NH. The successful bidder should discuss with the State ideas for office locations.

4. What is the current policy and strategy of the Plan to expand participation to local government employers? What are the roles and responsibilities of the current service provider in this regard?

The successful bidder will provide direction and assistance on expanding local government participation. The current service provider has a marketing plan in conjunction with the new State plan executive director and is responsible to executing

the agreed to marketing plan.

5. For the 18 political subdivisions with manual payrolls, would the Plan be willing to consider a payroll/remittance consolidation service as an objective to improve remittance efficiency and accuracy?

Yes

6. Please provide total participant contributions for 2013 and 2012.

2013: \$15,916,821

2012: \$15,670,629

7. Please provide new enrollment figures for 2013 and 2012.

2013: 359

2012: 288

8. Page 5 – Section 1 Background- It is noted that the number of participants is 6,164; however on page 10 under Key Plan Statistics it is noted that the number of accounts is 6,238. Can you please advise which number is correct?

6,238 is correct and represents the total State and participating entities.

9. Can you please break down the number of actives, inactives and term vested?

The State is currently in the process of updating the payroll upload file to include term dates. At this time an exact number is unavailable. However, there are currently 3,570 State employees actively deferring. There are 2,668 participants not contributing. The Plan does not have a vesting schedule so there are no term vested.

10. Can you please provide a breakdown of employees' participation by location?

At this time, the State does not break down participation by physical location.

11. Can you provide a list of all state locations and the number of employees?

The majority of State employees are in the Concord, NH area, with 66% located in Merrimack County. However State employees are located throughout the state:

Belknap County.....	6%	507 FT employees
Carroll County.....	2%	163 FT
Cheshire County.....	.2%	191 FT
Coos County.....	4%	382 FT
Grafton County.....	4%	383 FT
Hillsborough County.....	8%	677 FT
Merrimack County.....	66%	6,038 FT
Rockingham County.....	5%	442 FT
Strafford County.....	2%	221 FT
Sullivan County.....	1%	104 FT

The number of state locations, where employees are located is listed below by county.

Belknap County.....	61	locations
Carroll County.....	42	
Cheshire County.....	54	
Coos County.....	84	
Grafton County.....	81	
Hillsborough County.....	118	
Merrimack County.....	548	
Rockingham County.....	127	
Strafford County.....	62	
Sullivan County.....	35	

12. Are there any specific language needs for the participants other than English?
No. Only 3% of the state workforce is classified as minority.
13. It is noted that there are 13,600 eligible state employees and that there are 268 political subdivisions with 19,226 eligible employees. Is the state employee group a subset of the political subdivisions or are they distinct separate groups?
No, there are State employees and political subdivision employees.
14. It is noted that there are 6,164 participants of the state. It is noted that there are approximately 504 participants from participating political subdivisions. Are these two separate groups?
Yes
15. If possible, please provide the average number of payroll files accepted on a monthly basis by the current provider.
Approximately 150 payroll files are received each month.
16. Is the State open to consultative discussions regarding payroll consolidation and best practices for the subdivisions?
Yes
17. Do the subdivisions who submit payroll though paper provide the same set of data elements the other methods do? Is manual intervention often required to process the paper payrolls?
There is no standard set of data elements, but the minimum they need to report is Name, SSN, Amount, Plan Number, and Division Number. Paper files do not update address/DOB information. Manual intervention may be required once every two months on a subdivision file.

Recordkeeping & Administration

1. Are there grandfathered life insurance policies in the 457 plan? If so, please confirm the number of participants who have the policies, and if there are contributions being made to the policies. Please also advise which insurance company currently maintains the life insurance

policies.

Yes. The plan has 84 participants with life insurance policies through Transamerica Insurance Company, which are no longer offered by the Plan. Premiums are still paid through agreement between Transamerica and Empower Retirement on deferral collection and recordkeeping.

2. Are deemed IRAs a part of the 457 plan? If so, please identify the number of participants with deemed IRAs.

No

3. Can you please confirm that there is a limit on the number of unforeseeable emergency withdrawals that are permitted per participant under the current plan?

There is no limit.

4. For plan loan repayments, how does the Plan currently handle payments during leaves of absence and after separation from service?

Leave of Absence

If a participant takes a leave of absence, the loan payment can be suspended for up to one year as long as the loan does not mature in that timeframe. When participants return from the leave of absence, they can either make catch-up payments or re-amortize the loan using the same maturity date. Re-amortizing will increase the payment amount.

Separation from Service

Upon separation of service, the participant can elect to pay off the loan in a lump sum, or it will be treated as a taxable distribution and a 1099 will be issued.

5. What is the current provider's CSR staffing commitment in terms of number of representatives and annual days serving the Plan?

There are currently 3 full-time reps and a full-time office manager, in the Concord, NH office, dedicated to the Plan. However, you should propose the staffing and service level you feel is appropriate. For full time employees, we generally count 260 days per year per dedicated employee.

6. Can you please provide the number of participants contributing and making loan repayments by State payroll center? Please define Guided Payroll and PDI.

There are 3,236 contributing, State participants and 102 making loan repayments.

Guided payroll refers to a process to allow participating entities to update participant information through the regular contribution process via the Plan Service Center.

PDI refers to Payroll Data Interchange.

7. Would the State be open to consolidating all payroll centers into a uniform format post transition as part of the ongoing automation plan for transactions outlined in the RFP?

Yes. Although the State has 65 agency payroll centers that enter deferral information, that information is entered into the Infor payroll system and uploaded in a single file to the provider. Deferral monies are transferred from the State to the provider in a single ACH.

8. Page 35, Section 2 Admin Services Questionnaire D-2 Recordkeeping states: "Does your system have the ability to interface with a Lawson/InFor application version 9.0.1.10 payroll system? (Yes/No) If no, what is your proposed workaround?" What is the state's expectation in terms of interfacing with a Lawson/InFor application version 9.0.1.10 payroll system?

There is a standard inbound deduction interface file format for the Infor application. There is a standard deduction register that is provided for every payroll cycle. Our current vendor receives a CVS formatted outbound interface file for every payroll. Interested proposers can obtain a copy of the current inbound and outbound file formats by emailing Craig Downing at craig.downing@nh.gov.

9. Would the State be willing to work with the selected vendor during the contract negotiation phase to conduct transition project discovery meetings?

Yes

10. With regard to Question K-7, would the State like the record keeper to create the artwork and print the inserts for the statements or will the State be handling the prep and printing of the materials? Will this insert be required each quarter or one a year?

Yes, the State will prepare the content, but the expectation is that formatting and printing would be done by the successful bidder. The frequency will be based on demand.

11. Page 17, Section 1 Introduction / Overview – Elements of Competition No 3 states: "Data-management services, including creation and maintenance of employee data, transaction data and history, interfaces with suppliers and payroll, and other record keeping and administrative functions, including compliance." Please define 'interfaces with suppliers'. What 'suppliers' is the state referring to?

Suppliers would be any third party the State might contract with for services such as payroll and data aggregation. As noted in the RFP, the State uses Lawson/Infor for payroll.

12. Do you have any dedicated onsite representatives? If so, how many?

There are currently 3 full-time reps and a full-time office manager, in the Concord, NH office, dedicated to the Plan. However, you should propose the staffing and service level you feel is appropriate.

13. How many onsite days per year do they currently provide?

Each rep is onsite for 260 days per year.

14. Does the State currently offer advice and managed accounts?

a. If so, who is the current provider?

Advised Asset Group, a subsidiary of Empower

b. If so, how many participants are currently enrolled in managed accounts and what are the total assets under management?

See Section 1, Plan Highlights for managed account information.

15. Please confirm that there are an average of 1,514 participants using the customer service center per month.

1,514 is the annual total for 2014.

16. Please provide a sample of the required report described in Section 2.D.4.

Yes, interested proposers can obtain a sample copy of the General Ledger report by emailing your request to Craig Downing at craig.downing@nh.gov.

17. Please provide the record layout you use today to support the requirement of Section 2.H.3.

There is no standard format. Requirements will be discussed if the file is desired by the State.

18. If available, please provide annual participant call volume with existing provider.

There were a total of 3,065 calls received in 2014 of which 1,514 were transferred to customer service.

19. Page 38 - Section 2 G. Custodial Trustee, Question 4: Confirm that you will trustee outside investment funds. Please define "outside investment funds". For example, would these be investment options operated by investment managers other than the proposing record keeper and/or its subsidiaries, or is there an alternative definition?

Yes, outside investment funds would include non-proprietary mutual funds, commingled trusts and separate accounts.

General

1. Can the State provide a copy of the questionnaire and required forms in Microsoft Word to facilitate responses?

Yes, interested proposers can obtain a copy of the RFP in Microsoft Word format by emailing Craig Downing at craig.downing@nh.gov.

In the request email, the proposer must state that they will not alter the original RFP, questionnaires, addenda or other materials in any way. Any alteration of the original RFP documents may result in the proposer's firm being disqualified from bidding on this RFP # 2015-175.

2. The plan currently has an active participation rate of 29%, below national industry (NAGDCA) averages. Can you share with us possible reasons for this and any specific plans being implemented to remedy this going forward?

As part of this RFP, the State is looking for bidders to propose ideas and solutions on how to improve Plan participation and participant awareness.

3. Describe how changes in the State's defined benefit plan requiring employee contributions may have affected participation levels in the plan and if any future changes in the defined benefit plan design are contemplated in the future?

Changes to the State of NH Defined Benefit plan in 2011 and 2012 raised mandatory contributions on regular employee and teacher member rates from 5% to 7%; Police and fire rates went from 9.3% to 11.55% and 11.8%, respectively. The changes also raised the retirement age for new employees to get a full pension (50% replacement rate) to 65 and 52 ½ respectively and changed the formula for calculation of the final pension benefit for nearly 50% of the current workforce. The Plan saw a decrease in deferrals following the increase in mandatory DB contributions, until the most recent pay raises. Pension reform is again on the legislative agenda, but no bills have passed and much of the discussed proposals would affect new hires.

4. You have indicated that one of your objectives is to maximize participation among both current and eligible political subdivisions in the plan. Are there any written or desired target growth objectives regarding both the participating and non-participating plans and a marketing plan to achieving these objectives?

As part of this RFP, the State is looking for bidders to propose ideas and solutions on how to improve Plan participation and participant awareness. The State will work with the successful bidder on defining the Plan's objectives.

5. What are the top 3 areas the State of NH would like to see improved in the overall communication plan to their employees regarding the retirement program?

- 1. Higher Plan participation**
- 2. Higher participant deferral rates**
- 3. Better investment diversification**

6. What internal costs do you anticipate should you select a new provider?

None

7. Will contract fees be paid by plan participants or funded by other sources?

All fees are paid by participants.

8. Do the participants pay fees related to certain transaction such as loan initiation, loan maintenance, or withdrawal fees?

Yes, participants pay for certain transactions:

- \$50 for loan initiation**
- \$25/year for loan maintenance**
- \$250 for QDRO review/processing**
- \$25 for overnight delivery of distribution checks**
- \$50.00/year for brokerage window (assessed at \$12.50/quarter) + transactions**

- **\$25.00/year for online advice (\$6.25/quarter)**
- **Fee schedule for managed account services**

9. Are there any specific out of pocket expenses or fee for services items today that occur each year?

No, there are no out-of-pocket expenses paid by the State.

10. Regarding Attachment A, Certification of Compliance with Minimum Qualifications of RFP, please confirm if you require the completed form via email prior to the proposal due date or included with our proposal response.

As per the RFP Section 1, Format of RFP Responses, it should be included with your submission.

11. Is the Certificate of Compliance with Minimum Requirements (Attachment A) to be submitted via email prior to the RFP due date or is it acceptable to submit on the due date?

As per the RFP Section 1, Format of RFP Responses, it should be included with your submission.

12. What special services are being provided to retirees today?

Retirees continue to have access to their accounts via the plan service center and website and local representative. Additionally, there is a special section on the website, "Retiree Crossroads," which contains tools specifically designed for the needs of retired employees. The current provider also offers seminars aimed at pre-retirees and retirees conducted by a National Retiree Advocate. Three of these seminars were held in 2014.

13. How many retiree one-on-one meetings took place in 2014?

49 retiree one-on-one meetings were held in 2014.

14. Does the Appendix on page 56 need to be completed at this time or only after a provider has been selected?

No. The P-37 will be the contract document to be completed by the highest scoring vendor.

15. Are distribution checks, loans, DRO approval, and unforeseeable hardship approval included in the incumbent's pricing today or are the fees for these services paid for by the participants? Is there a preference?

Yes, participants pay for certain transactions:

- **\$50 for loan initiation**
- **\$25/year for loan maintenance**
- **\$250 for QDRO review/processing**
- **\$25 for overnight delivery of distribution checks**
- **\$50.00/year for brokerage window (assessed at \$12.50/quarter) + transactions**
- **\$25.00/year for online advice (\$6.25/quarter)**

- **Fee schedule for managed account services**

16. Page 39 – Section 2 I. Communication and Education, Question 12: Describe your proposed strategy for coordinating and integrating plan education and communication activities and materials with those of the NHRS (defined benefit) retirement system. Can you please verify the current DB Plan provider? Is it State-run?

A marketing plan is being drawn up with the current provider and the plan executive director to work with the NH Retirement System, (DB plan provider) which would include joint materials, workshops, and seminars aimed at state employees. However, no formal plan has yet been proposed or agreed on. NHRS (nhrs.org) is a quasi-state entity.

17. Does the State have a set number of education days they would like built into the quote?

There are currently 3 full-time reps and a full-time office manager dedicated to the Plan. However, you should propose the staffing and service level you feel is appropriate.

18. A five year contract with one two-year extension is requested. Is the 2 year extension option to be exercised only by the State, or is the extension to be agreed upon by both the State and the provider?

The option would be exercised by the State.

In-Plan Annuity

1. It appears the Great-West Secure Foundation Balanced fund (MXSBX) is a variable annuity product. Can you please confirm if that is the case? Is this product used as the in-plan annuity option in the deferred compensation plan?

Yes, Secure Foundation is a deferred annuity product and is used as an in-plan annuity option. The Fund is guaranteed by the Great-West SecureFoundation® Group Fixed Deferred Annuity Contract

2. Is it a requirement for the new vendor to maintain an in-plan annuity option?

No, it is not a requirement, but it is strongly preferred by the State to maintain an in-plan annuity option.

3. Please describe how the Benefit Base and the GAW associated with the Great-West SecureFoundation product are currently communicated to participants.

There is an introductory mailing on the Fund, information on the website (www.nhdcp.com), group seminars and individual appointments.

4. Can you confirm that the Great-West SecureFoundation product is compliant with SPARK's "Data Layouts for Retirement Income Solutions" guidelines?

Yes, the SecureFoundation product is compliant with SPARK but has not been tested

PURCHASING AGENT: Robert Stowell
TEL. NO.: 603/271- 3606

NOTE: IN THE EVENT THAT YOUR BID INVITATION HAS BEEN SENT TO THIS OFFICE PRIOR TO RECEIVING THIS ADDENDUM, RETURN ADDENDUM WITHIN THE SPECIFIED TIME WITH ANY CHANGES YOU MAY WISH TO MAKE AND MARK ON THE REMITTANCE ENVELOPE BID INVITATION NUMBER AND OPENING DATE. RETURNED ADDENDA WILL SUPERSEDE PREVIOUSLY SUBMITTED BID.

BIDDER _____ ADDRESS _____

BY _____
(this document must be signed)

_____ TEL. NO. _____
(please type or print name)

Please visit: <http://das.nh.gov/purchasing> (click on "Bid, Proposals...") for complete bid and addendums.