Questions received from potential vendors

1. If a firm has existing 403(b) business in the state, how is the State looking to ensure the priorities are for the State sponsored program?

We expect respondents to the Invitation to Bid (“ITB”) to address this issue where relevant in their responses to the ITB’s questions. The issue may be particularly relevant to question # 2 in Part 5, Section II, Subsection D of the ITB. We want to know how the respondent plans to allocate resources between the existing business and the NC 403(b) plan.

2. During the 403(b) Town Hall, SST indicated they will select the investments; however it appears the ITB is requesting investment choices. Should an investment line-up be offered?

The ITB Section V. Investment Services solicits information on: A. Custom Asset Allocation; B. Stable Value; C. Managed Accounts; D. Self Directed Brokerage Accounts; and E. Advisor Capability. The Supplemental Retirement Board of Trustees, with the advice of SST, will select investment options, except for a stable value, fixed account or general account offering. The Board is looking for respondents to submit stable value, fixed account or general account options for Board consideration.

3. Page 21, Question 18, discusses the Annual Benefit Statement currently provided by the 401(k) & 457 third party administrator. Beyond the ability to share the data, is there a cost estimate for the inclusion of the 403(b)?

Respondents need to verify that they are capable of providing the data feed as detailed in the aforementioned section. At this time we cannot provide a cost estimate.

4. Please describe the role that the DST will play in marketing the North Carolina 403(b) program to local school boards of education and/or participants.

The Department of State Treasurer (DST) will assist initially and ongoing to help the selected vendor market the program to local school boards of education and eligible employees. However we are relying on the successful respondent to propose and lead the plan sponsor and participant marketing activities for the NC 403(b) program, including the production of supporting marketing collateral.

5. Please describe the access that the recordkeeping vendor for the North Carolina 403(b) program will have to teachers and staff in districts that adopt the program.

The recordkeeping vendor will have access to teachers and staff in districts as allowed by each individual school district. DST expects proactive outreach to the school districts and representative schools. In the past we have found teachers and staff in districts to be generally accepting of our programs.

6. Should prospective recordkeeping vendors assume that this is truly a "start up" plan and that existing district assets are not available for mapping into the North Carolina 403(b) program?

There is no authority to map any assets into this program. The ability to map assets is determined by each employer’s individual plan. If permitted by the individual plan, the participant then must make the decision to have their assets mapped to a new plan. As detailed in the ITB, local boards of education will have the sole discretion to add the NC 403(b) as the exclusive 403(b) provider for their employees, add the NC 403(b) program alongside existing 403(b) vendors, or not offer the NC 403(b) program to their employees at all.
7. Many school districts completed formal requests for proposal to consolidate 403(b) vendors over the last several years particularly as the recently revised 403(b) regulations came into effect. Do you anticipate that school districts that have recently undergone such a process will be constrained from adding an additional vendor?

Local boards of education will have the sole discretion to add the NC 403(b) as the exclusive 403(b) provider for their employees, add the NC 403(b) program alongside existing 403(b) vendors, or not offer the NC 403(b) program to their employees at all.

8. Bid pre-requisite #7 on page 9 indicates that the recordkeeper must maintain each participant’s investment portfolio based upon requests made via email and hardcopy. Does the DST expect participants will be able to effect changes in their investment portfolio via email and hardcopy?

Participants will not be able to make investment requests via e-mail. However, if a participant sends in a written request to transfer investments, signed and in good order, the Board would expect execution as instructed.

9. The bid mandates that the recordkeeping vendor, before and while offering services within a particular school district, shall review the processes of the district’s compliance Third Party Administrator and substantively share the results of its assessment with DST. Please describe the nature of the audit which is required. Will the recordkeeper be required to report results in writing to DST? Must the recordkeeping vendor specifically assess whether the district’s plan is operating in compliance with applicable regulations and the district’s plan document?

As stated in Part 1, Section IV of the ITB, on page 3:

The successful bidder for the ITB will provide recordkeeping vendor services in cooperation with each Compliance Third Party Administrator (“CTPA” or “TPA”) hired by the local board of education. DST is not seeking to select or sponsor any Compliance Third-Party Administrator. The local board of education will retain complete authority to select a CTPA.

Before and while offering services within a particular school district, the recordkeeping vendor shall review the processes of that district’s existing CTPA and shall consult with DST and/or its agents or consultants for purposes of informing DST’s level of confidence as to whether the district’s plan is operating in compliance with applicable regulations and with the employer’s Plan Document. DST will only authorize the recordkeeping vendor to make the NC 403(b) program available in those school districts where DST is reasonably confident that the plan is operating in a compliant manner. DST may ask the recordkeeping vendor to work in cooperation with a third party consultant engaged by DST to develop general standards that can be used to determine school districts’ compliance.

DST anticipates working in partnership with the selected recordkeeper to develop a successful process consistent with the language from the ITB stated above. That process could take several forms, and DST looks forward to developing specifics together with the recordkeeping vendor and any third party consultant engaged by DST on the issue.
10. Has the State adopted a plan document that will govern the administration of the NC 403(b) Program or will each Employer and/or School Board electing to offer the NC 403(b) Program have its own 403(b) Plan document?

DST has consistently maintained that the NC 403(b) program is an option with the employer’s existing plan and thus DST will not have a plan document requirement to be part of an employer’s existing plan. The Board may develop a plan document in the future for situations that would require a plan document, but there is no requirement that a school district adopt our program and thus no requirement that they adopt a separate plan document.

11. If the State has a plan document to govern the NC 403(b) Program, does the State agree that in instances where its plan document is more restrictive than an Employer’s 403(b) plan document, the State’s plan document will be the governing document in terms of the administration of assets invested in the NC 403(b) Program?

Please see the answer to question 10.

12. Will contributions to the NC 403(b) Program be remitted by the State or by each individual employer? If each individual employer, is it acceptable that the automated payroll feedback file be provided to each participating employer and not the State?

Contributions will be remitted directly from the employer or its agent (Compliance Third Party Administrator) to the NC 403(b) Program recordkeeper, they will not flow through the state. The recordkeeper will be required to interface directly with the district or its agent to receive contributions.

13. Please elaborate on what the State’s expectations are with respect to how the “Asset Allocation” Portfolios would be accounted for on participant statements. Is displaying each individual investment option for which the participant has assets allocated acceptable?

DST will allow each individual respondent to suggest how “Asset Allocation” Portfolios should be accounted for on participant statements. DST has no issue with the assets themselves showing up on the statement directly. Any form of display that conforms with applicable laws and regulations is potentially acceptable.

14. What is the anticipated contract effective date?

Fourth quarter of 2012, subject to timely completion of all processes described in the Invitation to Bid.

15. What is the minimum number of onsite full-time field service representatives you would expect dedicated to the NC 403(b) program?

We expect respondents to the ITB to address this issue in their submission. DST is looking for a provider’s proposal to indicate how the marketing and education effort will benefit plan participants and increase participant retirement readiness.

16. Please clarify the intent and scope of prerequisite #12 on page 10. For example, are you specifically requiring that the proposed investment alternative not have what are commonly referred to as surrender charges or deferred sales loads? Question V.B.9 on page 33 under the heading “Stable Value” implies surrender charges for a limited period are permissible, but this prerequisite seems to imply otherwise. Also, what if any implications does this prerequisite have regarding currently inforce 403(b) accounts containing such provisions as it pertains to future distributions.
The Supplemental Retirement Board of Trustees, with the assistance of SST, is selecting the investment options and share classes for all investments with the exception of the stable value, fixed account or general account. DST understands stable value or other fixed interest products may have different liquidity provisions. As long as those restrictions or limitations are disclosed and the method used to enforce restrictions, respondents will not be disqualified. We will not allow any contract level participant-directed surrender periods or charges. As for “in-force” 403(b) accounts, please refer to the response to Question 1 above.

17. Will the Department be supplying the necessary information for the items in the requested Recordkeeping Data Layout on page 23? If not, please explain how the process would work.

The selected vendor should maintain a recordkeeping platform that will allow the vendor to provide DST or other third party the information requested on page 23. The information supplied for each participant will be provided by each participating employer.

18. Would you consider selecting more than one provider with different but complementary product and service offerings?

The Invitation to Bid is for a single third-party recordkeeping vendor. From an Investment perspective, the Board reserves the right not to offer a Stable Value option under the NC 403(b) program, but invites respondents to submit bids that include Stable Value options. Stable Value submissions need not be proprietary.

19. Would you be willing to release the “NC 403(b)” Invitation to Bid in a WORD document?

Because Word files can have different page numbers and different formatting on different computers and different printers, we prefer to release the ITB only in the form of a PDF. A number of third-party computer programs, including Adobe Acrobat, can automatically convert PDF files to Word format for your use.

20. Page 15 references an “ITB Response Spreadsheet” which needs to be completed. We have been unable to access the ITB Response Spreadsheet.

This was e-mailed out and is available on the website. If you cannot download, please e-mail Sarah Ray at Sarah.Ray@nttreasurer.com at DST and she will forward you the Spreadsheet. Please keep in mind this is a supplemental response spreadsheet, you must still submit a full response.

21. [Re: ] Page 16 – I.C.7 – How many basis points would it cost to add each additional field service representative?
   Can the response be a flat dollar amount rather than basis points?

Yes.

   Please clarify. Is this intended to refer to the vendor’s ability to use a non-Social Security identifier for each employee?
Yes. In the event an employer is unable or unwilling to provide a full demographic file with social security numbers, DST needs to know how respondents would approach the situation and what limitations there are to the recordkeeping system.

23. What is the average salary for the 170,000 active teachers and other school employees?

DST has not captured this information as a part of the NC 403(b) ITB.

24. Will each electing entity provide their payroll data separately to the vendor? Can each electing entity provide their data electronically?

Each entity will provide their payroll data directly to the vendor or through their Compliance Third Party Administrator. DST does not know whether each entity has electronic capability, thus respondents must be able to accept contributions in a variety of formats including checks.