

THE CITY OF ROCHESTER, NEW YORK

DEFERRED COMPENSATION PLAN COMMITTEE

REQUEST FOR PROPOSALS
SECTION 457 DEFERRED COMPENSATION PLAN
SERVICES

FEBRUARY 8, 2017

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Background

The Deferred Compensation Plan for Employees of the City of Rochester (the Plan) is a defined contribution plan covering all of the employees of the City of Rochester. The Plan is exempt from income taxes under Internal Revenue Service Section 457(b) of the Internal Revenue Code. The Plan is subject to the Rules and Regulations of the New York State Deferred Compensation Board, Parts 9000 to 9006.

The purpose of the Plan is to provide employees with a convenient way to provide for a long-term retirement program and to encourage broad-based participation of employees in the plan. The Plan wants to assure that this additional benefit is recognized by all employees, and that they have the opportunity to receive one-on-one education, and voluntarily participate.

As of September 30, 2016, the Plan has \$207,968,654 of assets and 2,445 participants. In 2015, \$9,677,580 was contributed during the year. There is also an OBRA Plan with assets of \$601,719 and 425 participants. The City currently has approximately 2,768 full time and 838 part-time employees.

RFP Objectives

This document constitutes a request from qualified Administrative Service Agencies and/or Financial Organizations relating to (1) trust service, (2) administration and/or (3) funding of an "eligible deferred compensation plan". If you are "qualified" according to the Regulations to administer, maintain records and accounts of plans and/or if you have appropriate trust services and/or products available for use as funding media and are interested in making those services and/or products available, you are requested to complete this invitation for proposal.

Submission of Proposals

1. Six (6) copies and one (1) original of the proposal and one (1) flash drive containing the proposal to arrive no later than 3:00 p.m., on March 31st, 2017.
 - a. Send to: Charles A. Benincasa, Chair
City of Rochester Deferred Compensation Committee
c/o City of Rochester
Finance Director's Office
30 Church Street, Room 109-A
Rochester, NY 14614
2. Questions that arise during the proposal preparation process must be received in writing, or via email, to Charles A. Benincasa, Chairman no later than 1:00 P.M. on March 8, 2017 (email: benincc@cityofrochester.gov). Questions and responses will be provided in the form of an addendum to the specifications which, if issued, will be conveyed via email to all firms who received this RFP no later than the close of business March 17, 2017. No contact will be allowed between the firm and any other member of the Committee or City regarding this RFP during the

RFP process unless specifically authorized in writing by the Chairman or his designee. Prohibited contact may be grounds for firm disqualification.

3. Any proposals received after 3:00 P.M. on March 31st, 2017 will not be considered. It is each Proposer's responsibility to ensure that proposals are shipped in a timely fashion to be received by the designated party on or before the due date. We accept no responsibility for lost and/or late delivery of proposals.

Form and Substance

The New York State Deferred Compensation Board has promulgated the "Rules and Regulations" (effective June 15, 2011), hereafter referred to as the "Regulations", and the Model Plan (including amendments through November 14, 2014) for which you are to rely on for responding to this RFP. These documents can be found at the following link: <http://www.goer.ny.gov/nysdcp/locgov.html>. Failure to conform to or satisfy any requirement of these documents may result in the rejection of the proposal.

Proposer must include a fully completed questionnaire, restating each statement or question in Section I through Section V inclusive, and by recording your response directly below each statement or question.

1. Proposers must respond to all questions in the "Contractual Requirements" section (Section I) and must conform to the specifications set forth in this RFP. If a question, statement or section does not apply, put "not applicable" as your response.
2. Proposer must include a transmittal letter on the Firm's official letterhead signed by an official of the Firm who is authorized to commit the organization to perform the services outlined in the submitted proposal; you must indicate such commitment. The transmittal letter must contain a representation that the proposal complies with all requirements of the Regulations and the Model Plan.
3. By submitting a proposal, each Proposer agrees not to make any claims for or have any right to damages because of any misunderstanding or misrepresentation of specifications, because of any misinformation or lack of information or because such Proposer is not selected to provide the services proposed. Submission of a proposal constitutes express acceptance by the Proposer of all provisions of this RFP including all attachments.
4. Costs of developing proposals, making presentations and any subsequent expenses relating to contract negotiation are entirely the responsibility of the Proposer and may not be charged to the City of Rochester or the plan participants.
5. In order to facilitate our analysis and evaluation of the proposals, it is essential that a uniform format be employed in their preparation. Therefore, the content and format of your proposal should follow the guidelines set forth in this RFP. All responses should be as concise as possible. Excessive submissions may be grounds for disqualification.

Evaluation Criteria and Candidate Scoring System

In selecting, we will use criteria which comply with the requirements of the Regulations, including Section 9003.3(a) (1 through 7) of the Regulations. All qualified proposals, sought in conjunction with the requirements of Section 9003.2 of the Regulations, will be evaluated and awards made to the bidder or bidders whose bid is determined to be in the best interest of the plan participants.

Candidate Scoring System: We evaluate each candidate per the following scoring system. This system is not a tiered approach, as it allows for all candidates to be a similar number. This scoring system will determine which proposers will be selected for onsite presentations.

SCORE	
5	All credentials are met and some are exceeded, making this proposer a strong candidate.
4	All credentials are satisfactorily met; none are exceeded.
3	Most of the credentials are met, although there may be an area of concern regarding this candidate.
2	This candidate has some deficiencies when compared to the other proposers.
1	Significant areas of concern exist.

After we score each candidate in each category, we then weight the category as shown below:

Category	Weight
Company Background & Experience	20%
Administrative Services, Communication/Education & Marketing	15%
Implementation/Conversion Services	10%
Investment Options –Fixed	10%
Investment Options - Mutual Funds	10%
Investment Flexibility	10%
Fee Proposal, Expenses & Revenue Sharing	25%

In addition to the scoring outlined above firms that are a New York State certified MWBE firm will qualify for an extra 10% weighting in the evaluation process.

A non-MWBE firm that demonstrates to the City that the firm will subcontract at least 20% of the contract total to one or more current state certified MWBE firms will receive an additional 10% weighting in the evaluation process. State certified MWBE firms are listed at <https://ny.newnycontracts.com/FrontEnd/VendorSearchPublic.asp>.

Firms that have offices in the City of Rochester will also qualify for an additional 10% weighting in the evaluation process.

Selection Process

Section 9001.2(b) of the Regulations, recognizes that we have appointed a committee to act on our behalf, to the extent permitted or required by the Regulations and by the Model Plan. Section 9003.3(c): before any contract or agreement entered into by the committee may become effective, the committee must submit in writing, to the President of the New York State Civil Service Commission (“the President”), the name of such selected bidder(s) and a “certification” signed by the chief executive officer and chief legal officer stating that such bidder(s) has been duly selected to provide services in accordance with provisions of the Regulations.

1. Contracts or agreements cannot be awarded before the expiration of ninety (90) days from date of our announcement publication in the State Register and local paper.
2. Invitations will be made for oral presentations.
3. Any award of a contract as a result of this invitation will be made by written notification.
4. The projected timetable for the selection process will be as follows:

February 8, 2017	RFP Release Date
March 8, 2017	Proposer Questions Due
March 17, 2017	Responses to Questions Released
March 31, 2017	Deadline for Submission of Proposals
May 2017	Finalists Oral Presentations to Committee
Summer 2017	Contract Awarded for January 1, 2018

5. It is our policy to solicit proposals with a bona fide intention to award a contract. This policy notwithstanding, we reserve the right at any time to (a) reject any or all proposals or parts thereof and (b) modify the selection procedure, projected timetable for selection process or the scope of the proposed project.
6. Soliciting proposals and granting exclusive negotiation rights does not commit us to accept any of the terms of any proposal. Final terms of any agreement will be determined by direct negotiations and are subject to final approval by the City. We may suspend or terminate negotiations at any time that we determine additional negotiations would be unproductive.

Term of Contract

Pursuant to Section 9003.5(a) of the Regulations, we expect to enter into a written contractual arrangement(s) of up to **five (5) years** in duration. All contracts and agreements entered into shall impose **no penalties or surrender charges** for the transfer of assets or responsibilities on expiration of the contract or agreement. Upon the expiration or termination of any contract(s) or agreement(s), the committee shall follow procedures set forth in the Regulations in Part 9003 for awarding new contracts and entering into new agreements.

SECTION I.
CONTRACTUAL REQUIREMENTS

"Agree" or "Disagree" must be indicated for each of the following specifications. The following specifications can be found in either the Regulations or the Model Plan, all of which should have been enclosed as attachments. Please include reasons for any rejection or disagreement of any specification and alternative options, if applicable. **There should be neither elaboration nor qualification for "agree" unless otherwise requested.**

Specifications of the Regulations

1. **Section 9000.2(b)(4)- As a Financial Organization authorized to do business (provide investment products) in New York State, you agree that your firm is one of the following: (a) a Registered Investment Advisor, (b) a Bank or (c) an Insurance Company qualified under the laws of more than one state.**

If you are an Insurance Company acting through a subsidiary in New York State, then the Subsidiary Insurance Company must certify that it (the Subsidiary Insurance Company) is qualified to do business under the laws of more than one state.

2. **Section 9001.2(b) - We have appointed a deferred compensation committee to act on our behalf and you agree to interface with this committee. Additionally, we may decide to be the grantor of our own trust, then you also agree to interface with the trust and trustee: *all funding contracts, of whatever nature, will be "issued to, owned and retained by the trustee"*.**
3. **Section 9001.4(a) through (d) - You agree to abide by all four (4) provisions, *especially not allowing annuity type payouts*.**
4. **Section 9002.2(a)(5) - You will provide evidence that bonds and insurance have been secured by you pursuant to the Regulations.**
5. **Section 9002.2(a)(6) - *You will acknowledge in writing that you will act as a fiduciary under Section 457(g) of the Code and under State and common trust law principles with respect to all trusteeship, administrative, or investment matters for which you assume responsibility. Additionally, you agree to indemnify our Plan as a result of any cause of action brought against it as a result of acts or omissions together with the reasonable costs of litigation arising therefrom.***
6. **Section 9003.5(a) - Your proposal shall be in writing and contain a representation that the proposal complies with all requirements of the Regulations and clearly indicate all direct fees, indirect fees and charges. Illustrate in spreadsheet format provided (see Exhibit A),**

the fees paid for participant education services, custodial fees, and recordkeeping and administrative fees.

7. Section 9003.5(b) - All contracts and/or agreements shall be in writing, shall be awarded on the basis of a competitive bid, and shall not exceed five (5) years in duration, *and shall impose no penalties or surrender charges for the transfer of any asset(s) or responsibilities on expiration of the contract or agreement.*
8. Section 9003.5(c) - You will not permit any other Trustee, Administrative Service Agency, Financial Organization, independent consultant or person to provide services in respect to the Model Plan we have adopted.
9. Section 9003.7 - You will not permit an investment of any amount, in any annuity contract providing for a term which could exceed five (5) years or which is measured by one or more natural lives or any life insurance or other contract providing traditional death benefits.
10. Section 9004.1 - All information obtained by your position will remain confidential and you will neither solicit nor provide products other than deferred compensation.
11. Section 9005.3 - Statements to participants will be provided at least quarterly, *even in situations where no contributions are being made but funds are on deposit.* You also agree to provide, at least annually, an *additional statement* to participants disclosing all fees and expenses paid out of or charged against plan assets.
12. Section 9005.4 - Agree to satisfy the bonding and insurance requirements of this Section and provide evidence of such.
13. Section 9006.2 - You agree to include in your contracts and agreements a provision that the contracts and agreements are subject to the Regulations and the Model Plan and that such Regulations and the Model Plan are made part thereof.

Specifications of the Model Plan

- 1. Section 3.2(a) - The Model Plan requires a minimum deferral amount to be \$260 for any plan year. Your proposal will state this minimum requirement wherever requested.**
- 2. Section 4.1 - You acknowledge that the amounts of compensation deferred by the participants will be invested, according to the participant's investment directions, no later than two (2) business days following receipt thereof, in the appropriate investment funds.**
- 3. Section 4.7(a) - The entire value of each participant's account, including any annuities will be set aside and held by the trustee, *in trust*, and that your contracts and agreements will recognize and reflect such.**

SECTION II. TRUSTEE SERVICES

NOTE: You may skip this section entirely if you are not a Financial Organization bidding to become Trustee. You do not need to copy any of the questions. Move to next applicable Section.

Section 9002.1(a) of the Regulations states that assets must be held by one or more trustees pursuant to one or more trust agreements. Such agreements must satisfy all the requirements of Section 9002.1(b). Section 9002.1(b) also indicates who may be trustee. We reserve the right to create our own trust as provided by this Section 9002.1(b) but desire to explore the alternative of a Financial Organization acting as trustee.

Please respond to each of the following statements if you desire to be considered as trustee. If any statement does not apply, please indicate so by responding: "*Not Applicable*".

Requested Information

- A. The name of your firm, address, name of primary contact person and telephone number.**
- B. Whether your firm has provided trust services to any New York State municipality for their Code Section 457(b) deferred compensation plan. List names of all such municipalities.**
- C. Description of trust services you would provide acting as a Financial Organization rendering only trust services. Please specify all fees, expenses, charges and costs for the trustee services. Please provide disclosure of any compensation structure.**
- D. If you are selected as the Financial Organization acting as our trustee and desire to additionally respond to performing the duties of an Administrative Service Agency, as**

described in Sections 9000.2(b)(1) and 9002.1(b)(4) of the Regulations, please indicate your intention here.

If you respond affirmatively, then it will be necessary for you to complete the questions in Sections III and IV addressed to the Administrative Service Agency bidder. However, in addition to stating your intention to bid, it is requested that you indicate here the effect this will have on any fees, expenses, charges and costs as distinguished from those previously stated in this Section.

- E. The trustee will also be requested to acknowledge in writing that it is a fiduciary with respect to all administrative or investment matters for which it has assumed responsibility as outlined in Section 9002.2(a)(6) and 9003.6 of the Regulations.
- F. Referring to Section 9005.4 of the Regulations, describe the type of bond and its limits that you will be furnishing. Include "cost disclosure" if it is your intention for us to satisfy any part of this obligation.
- G. Do you intend to supply us with a sample trust agreement for our consideration? If so, do you attest that this agreement meets all of the requirements applicable to trusts as stated in Section 9002.1(b) of the Regulations and Section 457(g) of the Code.

**SECTION III.
ADMINISTRATIVE SERVICE AGENCY/
FINANCIAL ORGANIZATION**

(Excluding Trustee)

Please respond to each of the following statements if you desire to be considered as either the *Administrative Service Agency* and/or the *Financial Organization*. If you feel any statement does not apply, please indicate so by responding: "Not Applicable" and provide your reasoning.

Company Background

- A. The name of your firm, home office address, New York State address (if any), and the name (including title), address and phone number of your primary contact person whom we may contact about your proposal.
- B. Give a very brief description of your company and its history of participation in similar public employee Code Section 457(b) deferred compensation plans for state and local government employers. In New York State, such plans first materialized in 1985, include your specific experience in similar plans in New York since that time.
- C. How many public employee elective deferral retirement plans and deferred compensation plans do you currently provide administrative services and/or investment products for? How many of these plans are New York plans?

- D. In the past three (3) years has any public employee Code Section 457(b) deferred compensation plan/program, regardless of geographic location, terminated your (parent, subsidiary or affiliate) services either through the competitive bid process or for cause? If so, by whom and under what circumstances?
- E. List ten (10) client Code Section 457(b) deferred compensation plan references for which your organization provides services and/or investment products similar to those requested in this proposal. It would be preferable if five (5) of the references could represent different size clients (based on assets) from New York State, if possible. Please include contact person name, title, address and telephone number, number of participants and approximate size of plan assets and the number of years you have been providing services. Spreadsheet format preferred.
- F. What professional liability coverages are maintained by your company for errors and omissions or any other act?
- G. Financial Organization's should provide appropriate "ratings" from the following: A.M. Best, Standard & Poor's, Moody's, and Fitch (formerly Duff & Phelps). Has your rating in any of these agencies fallen below "A-" in the last three (3) years? If yes, give complete details. If, as a Financial Organization, you have no ratings by any of these agencies, please explain.
- H. Provide any additional information that would distinguish your firm.

<p>SECTION IV. SERVICES</p>

Please respond to each of the following statements if you desire to be considered as the Administrative Service Agency. If you feel any statement does not apply, please indicate so by responding: "Not Applicable" and provide your reasoning.

Marketing and Enrollment Services

- 1. Briefly describe the marketing and employee communication strategy which will be used with our plan. Indicate the use and capabilities of laptop computers, if utilized.**
- 2. Briefly describe the types of marketing/promotional materials to be utilized. How will you work to develop a marketing program unique to our needs?**
- 3. Do you provide communications to participants on a regular basis, if so, please describe?**
- 4. Will these services and materials be prepared and distributed at your cost?**
- 5. What educational materials will be provided to the Plan to maintain compliance?**

6. Briefly describe how you propose to conduct group enrollment meetings and ongoing educational sessions so that all interested employees have an opportunity to attend at a convenient time and location. How often are these type sessions proposed? Indicate the use and capabilities of laptop computers, if used.
7. Please describe, in detail, your one-on-one counseling sessions. Your response should emphasize how you plan to satisfy “the individual one-on-one on demand availability” of your enrollment specialist especially at times and locations convenient to our employees.
8. What educational services are provided for retirees?
9. Describe your approach to asset allocation and diversification.
10. How do you follow-up with or contact employees that did not have an opportunity to attend a group session or with an employee subsequently hired after that meeting date? Your comments on the one-on-one availability of your enrollment specialists for this function are important.
11. Briefly describe your continuing education program, if any.
12. Do you attest that these Enrollment Services are provided only by a properly licensed representative: licensed to meet both Federal and New York State requirements?
13. Please provide the compensation (broken down into billable hourly rates) for the individual(s) providing marketing and education services to Plan Participants. What are the anticipated hours to be devoted to Participant education services? If there is an incentive program, how is that structured?

Administrative Services

A. Services offered to the Plan Sponsor

1. Do you offer a dedicated toll-free Plan Sponsor line?
2. How does your organization provide assistance with revisions to the New York State Model Plan Document?
3. Does your company administer plans that provide loans to participants?
4. Will your company withhold, remit and report income taxes deducted from distributions? Does this service include the production and distribution all income tax reports to all the necessary parties as required by federal and state laws?
5. Specify all reports which will be issued to us, our participants and governmental agencies.

6. **The Committee anticipates plan expenses related to the administration of the Plan, including but not limited to, annual audit fees and investment advisory services. Would you be willing to reimburse the Committee for these expenses and if so, to what level?**

B. Services offered to Participants

1. **Describe your voice response telephone system. Identify all available services including customer service options as well as “Voice Response Systems” or automated options. Include security features and voice options, if applicable.**
2. **Can your customer service representatives assist non-English speaking participants?**
3. **Describe your internet strategy. What features are currently available on your website? What services are you developing for the near future? What security safeguards are used?**
4. **Please describe the settlement options available to each participant at retirement, voluntary termination and death. Please state your compliance to reflect the Board’s continued prohibition on annuity distribution options (Section 9001.4 of the Regulations).**
5. **In the event you are asked to administer our plan alongside another provider(s), please describe your required process for assisting with participant requests to transfer plan assets from your program to one of the other carriers. Describe in detail the forms, signatures and overall process that you require.**

Recordkeeping System

1. **Specify the basic recordkeeping system to be provided for our plan, with particular reference to the ability to receive, disburse, control and audit deductions, and to ensure timeliness, accuracy and confidentiality of records and describe the software used.**
2. **Briefly describe data processing operations, including the media by which your company can receive payroll deduction information, and its security provisions. Include a statement about your disaster recovery plan and its site location. Identify any subcontracting requirements for your primary administration responsibilities and comment on how this is possible in light of Section 9003.5(b) of the Regulations.**
3. **Indicate all interfacing: payroll deduction inputs, required certifications and any other transactions, specifying all direct and indirect costs. Specify how payroll deduction information is to be supplied. Indicate ability to interface with internal data processing systems.**

SECTION V. INVESTMENTS

Please respond to each of the following statements if you desire to be considered as the Financial Organization. If you feel any statement does not apply, please indicate so by responding: "*Not Applicable*" and provide your reasoning.

Fund Offerings

Information should be for the most recent calendar quarter completed.

- 1. Describe fully the various attributes of each investment option your company has to offer. For each option include an Investment Options Summary sheet which includes the funds objective, portfolio statistics, asset allocation, top 10 holdings, and industry diversification.**
- 2. Describe fully your "fixed" investment option. Include a one-page summary including applicable rates for the current calendar year, asset composition, and rating methodology. Also include a breakdown of all expenses for this product including an estimate of revenue received by your firm in excess of the guaranteed rate.**
- 3. Does your company offer a self-directed brokerage window as a potential option? Please fully describe the services and fees associated with the administration of the brokerage accounts.**
- 4. Illustrate in spreadsheet format provided, (see Exhibit B) the "variable" values for each equity type investment. Please give annualized returns for 'year-to-date', 'one year', 'three year', 'five year' 'ten year' and 'since inception' values.**
- 5. Illustrate in spreadsheet format provided, (see Exhibit C) all charges including loading costs, policy fees, surrender charges, actuarial margins, asset fees, transfer charges, distribution charges, withdrawal fees, redemption fees, commission, termination/withdrawal of contract fees, etc., etc.**

Investment Flexibility

- 1. Describe fully all matters related to the exchange/transfer limitations or conditions, termination/withdrawal of contract provisions, any other restrictions or penalties, etc., etc. Include any information on "unrestricted" and/or "free" transfers or plan transfer limitations.**
- 2. Identify any other charges or limitations not described in the previous responses.**

SECTION VI. CONVERSION SERVICES

NOTE: The following questions are to be answered ***only*** by an Administrative Service Agency bidding on an existing case that is administered by another provider: not on cases where you are the incumbent or on new cases that haven't had a prior plan. ***If these questions do not apply, you may skip to the next section without copying the questions.***

Experience

- 1. Provide a detailed description and complete history of Code Section 457(b) plans that you have been successful in taking over completely. Include entity name and date of takeover, the name of the former provider, the asset size of the plan, the number of participants, transition time, staffing requirement and other detail you believe is significant.**

Process

- 1. Fully describe transition activities stating the time frame for a complete transition. Identify any cost to us or to our participants for each step or phase: for the complete conversion.**
- 2. What on-site support will be provided during the transition? Who will provide this service? Would the key individuals be willing to meet with the Plan?**
- 3. What impact, if any, would there be on our plan if you were to be appointed the sole administrator? For example, would fees be reduced, would we qualify for additional services, etc., etc?**
- 4. Please provide references for three plans you recently transitioned. If possible, please provide those located within New York.**

Exhibit A

Contractual Requirements, Specifications – Page 6, question #6

Section 9003.5(a) – Your proposal shall be in writing and *contain a representation* that the proposal complies with all requirements of the Regulations and clearly indicates all direct fees, indirect fees, and charges. Proposed fees should be broken down to show the fee allocation for each area of service.

Proposed Fees for Services

Service	Annual Fee Amount (Indicate Percentage or Flat Charge)	Per Participant Fee
Participant Education Services		
Custodial Fees		
Recordkeeping		
Administrative		

