



**CITY OF HOUSTON**  
**FINANCE DEPARTMENT**  
Strategic Purchasing Division

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July 17, 2013

**SUBJECT:** Letter of Clarification No. 1 457 Deferred Compensation Plan Third Party Administration Services for the Finance Department

**REFERENCE:** Request for Proposal No. S37-T24571

**TO:** All Prospective Proposers:

This Letter of Clarification is issued for the following reasons:

• **To revise the above referenced solicitation as follows:**

1. Page 33, APPENDIX A, Provision pertaining to PRODUCT INFORMATION, shall be revised to read as follows:

~~Ability to provide bundled services for 401(a), 401(k), 403(b), 457(b) and 457(f) plans with mirror product offerings~~ shall be revised to read as follows: Ability to provide ~~bundled~~ **unbundled** services for 401(a), 401(k), 403(b), 457(b) and 457(f) plans with mirror product offerings. Remove page 33 and replace with attached page 33 marked Revised – July 17, 2013.

2. Page 20, allowance for submission of options based on the categories in the City's line-up not limited solely to the funds currently being provided, shall be revised to read as follows:

~~The City of Houston wishes to retain its current investment line up. As part of their proposal, proposers will have the flexibility to either retain the existing investment line up or propose an alternatives. stable value fund (Houston Fixed). The requirements of the stable value fund are discussed below.~~ Remove page 33 and replace with attached page 20 marked Revised – July 17, 2013.

• **The following questions and City of Houston responses are hereby incorporated and made a part of the Request for Proposal:**

1. Please clarify if the Stable Value Investment option in the 457 plan is available to bid on separately or is it mandatory to bid on the entire RFP, recordkeeping and administration?

**Answer:** **The City is seeking a third-party administrator / record keeper for its 457 Plan. As part of their proposal for these services, respondents may suggest an alternative stable value fund and investment line up. The City is not seeking separate proposals just for a stable value investment manager.**

2. What are the current fees on the Managed Accounts? How many participants are utilizing this service and what are the total assets invested in Managed Accounts?

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**Answer:** The Managed Account program utilizes the following fee schedule:

Up to \$100K = 0.450000%  
Next \$150K = 0.350000%  
Next \$150K = 0.250000%  
Over \$400K = 0.150000%

As of June 30, 2013, 13,550 participants are enrolled in the Managed Account service. Total assets in the Managed Account program as of June 30, 2013 were \$342,564,802.

3. Is the City of Houston Police plan a separate 457 plan administered by Great-West? If not, who is the administrator?

**Answer:** The Houston Police Officer's Union has a separate 457 Deferred Compensation Plan. That Plan is administered by Daily Access. However, Police Officers are eligible to participate in the City of Houston Deferred Compensation Plan.

4. Is the Police plan part of the current City RFP?

**Answer:** This RFP is for the City of Houston Deferred Compensation Plan only. The Police Officer's Union plan is not part of the scope of this RFP.

5. Please provide the dollar amount of the current revenue reimbursement within the plan.

**Answer:** The following amounts have been deposited into the revenue reimbursement account.

Q1 2012	\$249,377
Q2 2012	\$211,177
Q3 2012	\$258,538
Q4 2012	\$260,356
Q1 2013	\$249,606
Q2 2013	\$263,949

6. Please provide the current Great-West Administrative agreement with the City.

**Answer:** A copy of the current Great West Administrative agreement will be uploaded to the Strategic Purchasing Department web site where the Request for Proposal is located:

<http://purchasing.houstontx.gov/index.shtml>

7. Please provide the current 457 plan document.

**Answer:** A copy of the current 457 plan document will be uploaded Strategic Purchasing Department web site where the Request for Proposal is located:

<http://purchasing.houstontx.gov/index.shtml>

8. Please provide clarification on the 10,000 participants in a 457 plan. Can participants in a 401, 403, and 457 plan with the same plan sponsor be counted toward the 10,000 participants?

**Answer:** The City would prefer to partner with firms that have experience providing third party administration / recordkeeping to other public 457 deferred compensation plans of similar asset size and number of participants.

9. Please explain and describe the current structure on the re-allowance account.

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**Answer:** Great West maintains a Revenue Sharing Account on behalf of the City. Throughout the Plan Year, revenue from the funds is deposited into this account. The City pays all Plan related fees, including those of Great West, from this account.

10. Does the City have any issues/concerns with their current provider?

**Answer:** No.

11. Are there any restrictions (deferred sales charges, puts, spread pay options and/or market value adjustments) on the existing assets, both fixed and variable, when transferring to a newly approved Investment Provider?

**Answer:** The liquidation restrictions for the Houston Fixed may be found on pages 20 and 21 of the RFP.

12. Please provide the total plan assets in the Managed Account option.

**Answer:** Please see the answer to question number 2 above.

13. Please provide the amount of assets and number of participants in each of the following managed account tiers:

a. Online Investment Guidance

**Answer:** The number of participants and assets for this service is not tracked.

b. Online Investment Advice

**Answer:** 28 participants, \$3,564,802 as of June 30, 2013.

c. AAG managed accounts

**Answer:** Please see the answer to number 2 above.

14. Are loan repayments made via payroll deduct or ACH? If neither, what repayment method is utilized?

**Answer:** Loan repayments are made via payroll deduction and transmitted to Great West along with the participant contribution information.

15. Please confirm there are no active individual life insurance policies under the plan which would need to be administered?

**Answer:** There are no individual life insurance policies under the Plan.

16. Please describe the current plan reallocation program.

**Answer:** Please see the answer to number 9 above.

17. Will the City default ALL participants, including those not currently utilizing the managed account program, into a managed account program offered by a new provider? If not, please describe the City's intent with respect to the managed account program transition to a new provider?

**Answer:** It is the intent of the City to offer participants the option to elect the managed account service from the new provider or any of the investment options in the Plan. Participants that do not make an election will be defaulted into the Houston Fixed fund.

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18. Will the City consider a per participant fee and/or an asset based fee?

**Answer:** For the purposes of your response, please state your fees as both a per participant and an asset based fee.

19. Would you consider a pooled stable value fund as a viable alternative to a separate account?

**Answer:** The City would prefer a separate account stable value fund similar in structure to the current Houston Fixed Account.

20. Please provide summary portfolio characteristics of the Stable Value Fund as of May 31, 2013, including the current market value to book value ratio.

**Answer:** The current market-to-book ratio is 100.7%.

Below is the category breakdown for the Houston Fixed Fund as of June 30, 2013.

Agency MBS	62.8%
Agency CMO	6.5%
Agency CMBS	3.3%
Agency Securities	1.3%
Asset Backed Securities	4.2%
Non-Agency MBS	5.9%
Corporate Bonds	9.8%
Cash	6.2%
	100.0%

Additional information about the Houston Fixed fund may be found on the Plan's website - <https://houstondcp.qwrs.com> under "About Your Plan", "Fund Overview".

21. Please provide a copy of the investment policy statement and investment guidelines for the Stable Value Fund.

**Answer:** Please see the attached. The guidelines for the Houston Fixed stable value fund may be found on page 13.

22. Can you provide the demographics of all stable value eligible participants in the Plan and whether or not they are invested in the Stable Value Fund?

**Answer:** All employees are eligible to participate in the Houston Fixed fund.

The breakdown of participants in the Fund as of June 30, 2013 is as follows:

	<u>Participants</u>
Active	15,404
Terminated	1,016
Total	16,420

23. Can historical monthly cash flow information for the Stable Value Fund be provided separated into inflows, outflows, and/or net cash flows?

**Answer:** The annual net cash flow is as follows:

2012 = \$20.9 million

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**2011 = \$29.3 million**

**2010 = \$36.6 million**

24. Do you have any competing funds rule? For example, would brokerage accounts be considered competing funds?

**Answer: The current Stable Value Fund contract does not allow the Plan to have a competing fund. The self-directed brokerage option is not considered to be a competing investment vehicle.**

25. Please provide the total amount of assets in the managed accounts program.

**Answer: Please see the answer to question number 2 above.**

26. There appears to be active use of the loan provision in the plan. Is the city satisfied with the current level of participant education on borrowing from a retirement account, or do you feel it can be improved?

**Answer: Yes, the City is satisfied with the level of participant education.**

27. What type of de minimus review and cleanup is done for the Part-time/Seasonal Plan on a recurring basis?

**Answer: The City instructs Great West to clean up small account balances on at least an annual basis.**

28. Do you allow terminated participants to continue to pay on loans via ACH debit?

**Answer: Yes. Participants may choose to pay via check or ACH debit.**

29. What is the ratio of payroll deduction versus ACH debit loan repayments?

**Answer: 98% of loans are for active employees and are made through payroll deduction. The other 2% are for employees separated from service utilizing either ACH debit or check.**

30. Can you provide a copy of the Summary Plan Description described in the Scope of Services on page 28?

**Answer: The summary Plan Description / Plan Highlights can be found at the following link:**

**<https://fascore.com/PDF/houstondcp/planHighlights.pdf>**

31. Can you please clarify if the Insurance Certificates should be provided with the proposal or if they are to be provided upon award of the contract?

**Answer: The Insurance Certificates should be provided when the Intent to Award Letter is issued to the selected vendor. This will be before the contract is awarded and during the time that the contract is being finalized.**

32. Can public sector 401a defined contribution plans, in addition to 457 deferred compensation plans, of similar size be used to satisfy minimum requirement 4.1.5?

**Answer: Please see the answer to number 8 above.**

33. Would the City permit bidders to utilize a local M/WBE business that has started, but not yet completed, the OBO certification process? If the City will permit bidders to utilize such a business, would it qualify as meeting the local M/WBE participation requirement or would it only qualify as a "good faith effort?"

**Answer: Yes, as long as the M/WBE business is certified before contract award. Please keep in mind that the process of certification can be long and certification may not occur before the award of the contract so you should have a back-up M/WBE subcontractor who is local and already**

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Letter of Clarification 1  
457 Deferred Compensation Plan third Party Administration Services  
Solicitation No. S37-T24571

**certified by the City of Houston. The concept of "good faith effort" is separate from meeting the certification requirement and comes in to play after the contract is awarded. If the participation requirement is 5% of the total contract amount of \$500,000.00 over five years, then the Contractor must make a good faith effort to subcontract work in the amount of \$25,000.00 over the five year term of the contract to the M/WBE subcontractor.**

34. Are your investments set up in omnibus accounts or in the name of the plan?

**Answer: Investments are setup in super omnibus accounts.**

35. For the BlackRock Collective F funds, who is unitizing the management fee into the price?

**Answer: Great West unitizes the management fee into the price.**

When issued, Letter(s) of Clarification shall automatically become a part of the proposal documents and shall supersede any previous specification(s) and/or provision(s) in conflict with the Letter(s) of Clarification. All revisions, responses, and answers incorporated into the Letter(s) of Clarification are collaboratively from both the Strategic Purchasing Division and the applicable City Department(s). It is the responsibility of the proposers to ensure that it has obtained all such letter(s). By submitting a proposal on this project, proposers shall be deemed to have received all Letter(s) of Clarification and to have incorporated them into their proposal.

If you have any questions or if further clarification is needed regarding this Request for Proposal, please contact me at [joyce.hays@houstontx.gov](mailto:joyce.hays@houstontx.gov).

*Joyce Hays*

Joyce Hays  
Sr. Procurement Specialist  
Strategic Purchasing Division  
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jm

Attachment: Revised pages 20, 33

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**Council Members:** Helena Brown Jerry Davis Ellen Cohen Wanda Adams Dave Martin Al Hoang Oliver Pennington Edward Gonzalez  
James G. Rodriguez Mike Laster Larry Green Stephen C. Costello Andrew Burks Melissa Noriega C.O. "Brad" Bradford  
Jack Christie **Controller:** Ronald C. Green

**SPECIFICATIONS / SCOPE OF WORK**  
**SOLICITATION NO.: S37-T24571**

**INVESTMENT MANAGEMENT SERVICES**

At present, plan participants may select from twenty-two (22) mutual funds, as well as a stable value fund and a self-directed brokerage account. The fund listing may be found in **Appendix D**.

~~The City of Houston wishes to retain its current investment line up. As part of their proposal, proposers will have the flexibility to either retain the existing investment line up or propose an alternatives. stable value fund (Houston Fixed). The requirements of the stable value fund are discussed below~~

As part of their response, each proposer must complete the chart in **Appendix E**.

1. Please describe the process the City may follow to replace one or more funds in the investment line-up during the contract period. Please confirm that there no cost to change funds. Please also provide an expected timeline for any fund changes.
2. Please describe how your recordkeeping system handles short-term fund redemption fees for funds in the Plan.
3. Please describe the process that will be used to transfer assets from the current record keeper / custodian? If the City maintains the same investment line up (with the exception of the stable value fund), can the mutual funds be re-registered? Please discuss this process in detail.
4. Though the City has indicated that it wishes to retain its current investment line up, it is interested in what is being considered and applied by other governmental entities. Please summarize the investment menu structure being used by your other governmental 457 deferred compensation plan clients. Please detail how this has impacted employee communication and education.

**Stable Value Fund**

The City of Houston Fixed Account is a separate account stable value fund. Proposers may consider retaining this fund, or suggest an alternative separate account product. The proposed alternative should be fully diversified, provide competitive returns with no benefit payment limitations as well as provide attractive liquidation / termination provisions.

**The City of Houston Fixed Account**

**As of March 31, 2013**

<b>Book Value of Assets:</b>	<b>\$250.82 million</b>
<b>Market Value of Assets</b>	<b>\$258.35 million</b>
<b>Market-to-Book Value</b>	<b>103.6%</b>
<b>Average Life</b>	<b>2.95 years</b>
<b>Average Duration</b>	<b>2.23 years</b>
<b>Average Rating (S&amp;P / Moody's / Fitch's)</b>	<b>AA+ / AAA / AAA</b>

REVISED JULY 17, 2013

# SPECIFICATIONS / SCOPE OF WORK

## SOLICITATION NO.: S37-T24571

### APPENDIX A – SCOPE OF SERVICES

As a potential provider of services, there are certain Service Capabilities that your organization may need to deliver. These Service Capabilities are listed below, broken down into different categories. Please confirm that your company can fulfill all of the following Service Capabilities. If your company is unable to deliver any of the Service Capabilities, please provide a detailed explanation in your response.

#### PRODUCT INFORMATION

- Well diversified separate account stable value fund
- Availability of lifestyle funds or end-date retirement funds (i.e., “funds of funds” classified by risk tolerance or projected retirement year)
- Ability to change investment allocations daily
- Ability to transfer between investment options daily
- Ability to provide ~~bundled~~ unbundled services for 401(a), 401(k), 403(b), 457(b) and 457(f) plans with mirror product offerings
- Ability to offer a self directed brokerage account and the ability to limit the offerings of the account to permissible investments under the plan
- Ability to provide documentation as to the specific process to monitor the internal and external investment options offered in your proposed investment array.
- Availability of Roth 457(b) conversion and recordkeeping services. Roth data consolidated with pretax data on a single participant statement

#### COMMUNICATION & EDUCATION

- Interactive Custom Website and Plan micro site made available for participants to access account information and perform plan-related transactions (virtually 24/7)
- Retirement plan calculators by which participants can model different retirement scenarios
- Ability to provide onsite education
- Ability to implement automatic enrollment and automatic escalation
- Ability to provide simple enrollment (i.e., postcards)
- Ability to provide customized participant statements, statement inserts and salary reduction agreements.
- Onsite, salaried field representatives
- Local office within the City of Houston
- Customized, targeted communications materials

#### ADMINISTRATION & RECORDKEEPING

- Specific plan provisions immediately available to the toll-free telephone service representatives
- Ability for participants to enroll, make deferral changes, and complete other plan transactions such as loans and withdrawals, via the internet or toll-free service line
- Ability to process contributions, loan repayments, loan requests, withdrawal requests and rollovers into the plan within all federally required guidelines
- 100% of participant statements mailed within 10 business days of quarter-end
- Ability to provide full servicing of Qualified Domestic Relations Orders (QDROs), including determination of qualified status
- Plan sponsor website that allows access to plan level records, participant level records and both standard and custom report generating capabilities

REVISED JULY 17, 2013