

**CITY OF AUSTIN  
PURCHASING OFFICE  
PROPOSAL PREPARATION INSTRUCTIONS AND EVALUATION FACTORS  
SOLICITATION NUMBER: RFP TVN0044**

**1. RESPONSE FORMAT**

Prefacing the response, the Respondent shall provide an Executive Summary of two (2) pages or less, which gives in brief, concise terms, a summation of the proposal. The response itself shall be organized in the following format and informational sequence:

- A. **Business Organization:** State full name and address of your organization and identify parent company if you are a subsidiary. Specify the branch office or other subordinate element which will have primary responsibility for the delivery of the services described herein. Indicate whether you operate as a partnership, corporation, or individual. Include the State in which incorporated or licensed to operate.
- B. **Authorized Negotiator:** Include name, address, email address and telephone number of person in your organization authorized to negotiate Contract terms and render binding decisions on Contract matters.
- C. **Experience and Qualifications of Firm:** Provide a brief history of your company with respect to its involvement with governmental 457(b) Deferred Compensation plans and describe the makeup of your Defined Contribution plan client base. Complete the charts below. In addition to these charts: for the three-year period ending December 31, 2013, provide by calendar year (1) the number of new (where you previously provided NO services to the Plan) governmental 457(b) plans where you were selected to provide recordkeeping and/or investment services (2) the number of governmental 457(b) plans lost by your firm where you previously provided recordkeeping and/or investment management services. Provide the total full-time equivalent (FTE) staff level in unit responsible for the sales and servicing of governmental 457 plans at December 31, 2012 and December 31, 2013 (do NOT include staffing for parent company, other non-related business units, or other firms in the reporting period).

Type of Plan	Number of Plans	Number of Participants	Plan Assets Under Administration
457(b)			
401(a)			
401(k)			
403(b)			
Other			
Total			

Plan Asset Size	Number of Plans
< \$25 Million	
\$25 Million to \$250 Million	
\$250 Million to \$500 Million	
> \$500 Million	

- D. **Experience and Qualifications of Team:** Identify all team members who would work on this engagement, including what role they would play. Please include resumes for each proposed team member.
- E. **References:** Please provide references for plans of similar size to Austin's, including type of plan, contact name and position, contact email and phone number of five (5) plans where your firm currently provides similar services to those requested in this solicitation and three (3) plans where the type of services requested were terminated by the Plan Sponsor in the last 24 months. Include the reason for termination.
- F. **Financial and Other Matters:** Comment on your firm's current financial condition as well as the condition of any parent company. Include supporting documentation such as financial statements, rating agency assessments, and/or other third-party assessments, etc. in your proposal. Discuss any third-party entity that has placed your firm under heightened financial scrutiny such as a negative ratings watch. Describe any litigation in which your company has been involved in the last five years including status/final disposition with respect to your company as a record keeper, investment provider or in any other professional capacity relating to any governmental 457(b) plan.

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Describe the date and nature of any investigation of your company, your Parent Company or any Affiliate Company by FINRA, the SEC or other State or Federal regulatory authority within the last five years and the status/final disposition of such investigation. Indicate if your company, your Parent Company or any Affiliate Company has filed for Bankruptcy or received any capital funding under any government program such as TARP and, if so, provide details. Discuss any pending agreements to merge or sell any part of your organization.

**2. ADDITIONAL PROPOSAL TERMS**

- A. **Response Acceptance Period:** All responses are valid for a period of one hundred eighty (180) calendar days subsequent to the Solicitation closing date unless a longer acceptance period is offered in the response.
- B. **Proprietary Information:** All material submitted to the City becomes public property and is subject to the Texas Open Records Act upon receipt. If a Respondent does not desire proprietary information in the response to be disclosed, each page must be identified and marked proprietary at time of submittal. The City will, to the extent allowed by law, endeavor to protect such information from disclosure. The final decision as to what information must be disclosed, however, lies with the Texas Attorney General. Failure to identify proprietary information will result in all unmarked sections being deemed non-proprietary and available upon public request.

**3. SCOPE OF WORK**

In this section, Respondents shall provide specific responses to the following questions in accordance with Section 3 of the Scope of Work (document RFP TVN00440500).

A. **Participant and Plan Sponsor Services**

As indicated in the scope of work, the City anticipates the need for occasional on-site representatives of the recordkeeping firm to meet with individual participants, attend New Employee Orientation meetings, and provide informational sessions regarding the plan. Based on the attributes stated in the Scope of Work, Section 3-A, please respond to the following:

- i. **Staffing**
- a. Describe your proposed staffing to provide the requested services to the City's Plan.
  - b. Briefly describe the responsibilities, credentials, location, and related experience of any representative(s) who will work with the City's Plan.
  - c. Describe the work plan to service the Austin 457 Plan.
  - d. Describe the Plan's role in selecting representatives and in providing input to your firm about the representative's effectiveness.
  - e. Describe your on-site service representative's compensation structure including the criteria and percentage of base income available through "bonus" or other incentive-related components.
- ii. **Educational/Communication Services:**
- a. Describe your firm's education programs specifically developed for:
    - 1) Active participants
    - 2) Participants nearing retirement
    - 3) Retirees/Termed participants maintaining account balances
    - 4) Employee non-participants
  - b. Who delivers the education programs?
  - c. List the media you employ in delivering participant education.

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- d. Describe how frequently you will provide education programs to the City of Austin.
  - e. Describe the type and frequency of other regular communication(s) with both participants and non-participants about the Plan.
  - f. Describe the communication process with participants who are no longer actively contributing to the Plan.
  - g. Describe how the effectiveness of your communication and education programs is measured or evaluated.
- iii. Internet-Based Services:
- a. List the internet-based services your firm makes available to plan participants.
  - b. Does your firm provide an internet-based tool for employees to project their retirement income needs? Describe how it works and provide access to a demo, if available.
  - c. Describe how the effectiveness of your internet-based services is measured.
  - d. Describe your firm's use of social media in your marketing/administration of governmental 457 plans.
  - e. Describe your firm's ability to facilitate enrollment and contribution changes on-line and the systems requirements for the City to accomplish that.
  - f. Provide the address and credentials to your demo participant web-site.
  - g. Does your system allow active participants to select one-time deferral elections that automatically resets back to usual contribution amount afterwards? If so, can participant select which payroll processing cycle to have the one-time deferral change or will the election go in place with the next regular payroll cycle? ?
  - h. Does your system allow active participants to select a future payroll cycle to increase their contribution amount?
  - i. Does your system have an automatic deferral escalation feature that may be selected by a participant?
- iv. Communications: Describe the statement you would provide to participants of this Plan and any customized features that might be available including messaging capability for the Plan Sponsor. Include a sample copy in your response.
- v. Voice Response Unit Services (VRU):
- a. List the hours when live operator assistance is available through your VRU.
  - b. Provide your service standards for live-operator assistance calls and describe your actual results for the last three (3) years.
  - c. Describe how the effectiveness of your Call Center representatives is measured.
  - d. List the percentage of abandoned calls to your VRU where live operator assistance was being requested for the quarters ending on 12/31/13, 03/31/14, 06/30/14.
  - e. Describe the escalation and resolution process for participants who have been unable to get an issue resolved through contact with your call center.
- vi. Do you provide a Personal Rate of Return? If so, describe how it is developed and where it is provided. Can the participant select a specific time period to include for the personal rate of return?
- vii. Automatic Rebalancing: Describe any automatic re-balancing feature that can be elected by an individual participant and its cost.

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- viii. Beneficiary Information Access: Describe how participants can access and change beneficiary information and respond to the following scenario:
  - a. An active participant (Texas resident) in the plan dies. The participant's beneficiary of record is 50% spouse and 50% to two minor children (all Texas residents). The decedent's spouse has elected to "cash out" the entire account. Describe in detail those steps that the spouse would employ to execute that request, including any assistance provided by your firm to the spouse.
- ix. Plan Administration: Describe the services your firm can provide that facilitates Plan administration including any ad hoc reporting capabilities.
- x. Other Services: Describe the types of services your firm can provide to the Plan's Committee. Provide the address and credentials to your demo plan sponsor web-site.

**B. Record Keeping and Compliance Services**

As described in the scope of work, a record keeping firm with experience and a thorough understanding of the unique needs of public sector plan sponsors is preferred. In the context of the services outlined in the Scope of Work, Section 3-B, please provide the following information:

- i. Briefly describe the type of record keeping system used by your organization
- ii. Describe the measures you use to safeguard participant data. Disclose any incident which has occurred within the last three (3) years that did jeopardize or potentially could have jeopardized the security of participant information in your record-keeping system. Include external cyber attacks, theft of unencrypted data or equipment like laptops, etc. Explain those measures you took following an incident to prevent a reoccurrence.
- iii. Describe the trustee and/or custodial arrangements that can be provided by your firm for this Plan and their costs.
- iv. Describe your process for resolving electronic files from the employer that are not in good order.
- v. Describe how you monitor employee deferral amounts to stay within current guidelines.
- vi. Describe the City's and your firm's roles in the administration of Qualified Domestic Relations Orders (QDROs).
- vii. Loans
  - a. Describe how you would handle the transfer of existing loans from the current record keeper.
  - b. List the media by which a participant initiates the loan process.
  - c. List the method(s) by which loans are re-paid.
  - d. How do you handle delinquent and/or defaulted loans?
  - e. What responsibility does the City retain for initial and ongoing loan servicing?
  - f. Describe the type and frequency of any report you could provide to the City about loan activity.
- viii. Describe in detail your firm's transition plan including:
  - a. The transition timeline
  - b. The handling of Plan beneficiary information at transition
  - c. How you will handle accounts already in distribution during the transition period
  - d. Participant communication strategy
  - e. On-site resources during transition
  - f. Anticipated "blackout" period

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- g. Your performance measurement for conversions
- ix. What guarantees are provided by your firm that assure that the products and services you propose are delivered as warranted in your proposal? For each guarantee include:
  - a. Your performance “benchmark,”
  - b. How you track your performance against the benchmark
  - c. The dollar amount “at risk” for not achieving the result.
- x. Describe how your firm would suggest handling the on-going administration of the life insurance policies.
- xi. Provide sample copies of your specimen Plan Document; Trustee, Annuity and/or Custodial agreements; and Plan Sponsor Service Agreements/Contracts.

**C. Investment Approach**

A simplified investment approach that utilizes institutional share class pricing with no revenue sharing and four options for plan participants to select from is envisioned. With this in mind, and as further described below, please explain how your firm will address the following:

- i. Tier 1: “Do it for me” Menu: In this tier, participants elect to have their deferrals in an option that preselects their investments and rebalances them on a regular basis to an expected retirement date. The City requires an investment option that provides a portfolio of funds that are managed for the participant to their expected retirement date. The Tier 1 option could be managed accounts, OR target date funds, OR target risk funds that best meet the needs of Plan participants. The “do it for me” option should be easily elected by a participant and would be responsive to the needs of different classes of employees, for example, an employee retiring at age 43 with 23 years of service versus an employee retiring at age 62 with 5 years of service, versus an employee retiring at age 62 with 35 years of service. This option should be low cost, well-diversified, and allow for periodic comparison against a performance benchmark. To minimize employee confusion regarding the “do it for me” approach, only a single option should be offered in this space.
  - a. Describe the product/investment options your firm proposes.
  - b. Describe the expense structure of the proposed product.
- ii. Tier 2: Core Menu: In this tier, participants choose from a menu of investment options, including a Stable Value product as well as a series of low-cost indexed and/or actively managed options selected by the Committee. The Core Menu shall contain the following elements:
  - A Stable Value product (other than a General Account product) that provides safety of principal with a competitive rate of return. In addition, this investment option shall have full liquidity at the participant level as well as no payout restrictions exceeding 12 months, no market value adjustments, no contingent deferred sales charges, or any other fees or restrictions at the Plan Sponsor level in the event that the assets are transferred to a replacement provider at the end of the contract term.
  - A series of low cost indexed options and/or actively managed options to complete the core menu offering. Approximately 12 - 15 variable investment options shall be offered in the remaining Tier 2 menu. The Committee will select the investment options that complete the Tier 2 menu.
  - a. Describe any restrictions in your systems that would impact your ability to record keep the investment options selected by the Committee.

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- b. Outline the various Stable Value products available on your platform against the following criteria:
- 1) Name of Product
  - 2) Type of Product (i.e., separate account, GIC, commingled fund, etc)
  - 3) Size (Assets)
  - 4) Net credited rate on 6/30/2014
  - 5) Current Market-to-Book value ratio
  - 6) Current Average Credit Quality (Moody's)
  - 7) Current Weighted Average Duration
  - 8) Cost/fee structure
  - 9) Frequency of rate reset
  - 10) Minimum rate guarantees, if any
  - 11) Discontinuance provisions
- iii. Tier 3: Self-Directed Brokerage Option (SDBO): In this tier, participants shall be able to utilize an easy-to-access SDBO to access mutual funds and Exchange-traded (ETFs) that are not offered on the Plan's "Core" Menu. "Easy access" is defined as "one-click" access from the Plan's primary website to the Plan's SDBO. Optimally, the SDBO option should allow participants to defer from payroll to a sweep account in the SDBO without the need for further participant intervention.
- a. Who is your SDBO provider?
  - b. Describe how a participant would access your SDBO option from the [www.dcaustin.com](http://www.dcaustin.com) website.
  - c. Can you defer directly from payroll to the SDBO? Can payroll deferrals go to specific investment options or the sweep account in the SDBO without further participant intervention?
  - d. Can the SDBO be restricted to mutual funds and ETFs only without opening a window for general securities purchases?
- iv. Tier 4: In-Plan Annuity (Optional): This tier shall allow participants to convert their 457 balance to a lifetime income stream. Optimally, the in-plan annuity option would provide income stream guarantees and allow participants to re-convert their balance to a lump sum should their circumstances change.
- a. Describe the product your firm proposes.
  - b. Describe the expense structure of the proposed product.
  - c. Describe any guarantees provided by the product.
- v. Alternative Approaches: While the plan is requiring the above vision as a response to this solicitation, it also realizes that there may be different investment approaches that may be viable alternatives. In this section, please describe any alternative investment approaches for the Plan to consider in addition to the one prescribed above.

**D. Fees**

- i. Pricing Scenario I: Assuming that your firm offers no proprietary investments including the management of any Tier 1 or Tier 2 investment options and generates no other direct or indirect revenue (e.g., to an affiliate or subsidiary of the recordkeeping firm) specify your fee in basis points to provide the services discussed in your proposal.

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- ii. Pricing Scenario II: Describe how the fees in Pricing Scenario I above could be impacted by the inclusion of proprietary or ancillary investment services. Describe each service you propose and its impact on the fee schedule in Pricing Scenario I.
- iii. Describe your firm's ability to implement a fee schedule that varies for different types of employees where fees may be waived for participants with minimal account balances (\$1,000 or less) and "capped" for participants with larger account balances.
- iv. Describe all other fees at the participant or plan level including:
  - a. Loan Fees
    - 1) Your loan fee schedule including loan origination fees, periodic maintenance fees, etc.
    - 2) Any fee that would apply to either participants or the City in transferring existing loans.
    - 3) Indicate the date after the transfer of existing loans that periodic maintenance fees would begin to be charged.
  - b. Describe your fees for trustee/custodial/annuity services.
  - c. Describe all fees associated with the SDBO option including:
    - 1) Account fee
    - 2) Transaction fees
    - 3) Any other fee that would apply to a participant using the SDBO
  - d. Disclose all other fees in your proposal including:
    - 1) Any fee assessed to participants on a per capita basis;
    - 2) Termination/liquidation costs if plan assets are moved to a replacement record keeper at the end of the contract period;
    - 3) Any other administration/recordkeeping fees that might apply to implement changes to the program as a result of changes to Federal or State law.
    - 4) Fees for legal services.
    - 5) Fees to implement changes in the Plan's investment menu during the contract term (post-implementation/transition).
  - e. List any other fee not disclosed previously

**E. Minimum Requirements Affirmation**

Proposers should positively affirm in this section their compliance with each item in the "minimum requirements" identified in the Scope of Work, Section 3-E, and note any exception with the requirements in the proposal response. Additionally, respondents should specifically respond to the following:

- i. Federal and State Regulations (SOW Section 3-E, item i): Contractor shall provide the City all documents and other reasonable technical services to implement the Plan. Contractor is responsible for maintaining all documents to reflect all changes in the laws or regulations governing 457(b) plans and satisfying all regulatory reporting requirements throughout the term of any contract or extension.
- ii. Internal Controls (SOW Section 3-E, item ii): Contractor must warrant that an audit of those controls has been conducted by both (1) an external, non-affiliated firm and (2) an internal audit team within the last twelve months, that the audit resulted in no violations of industry standards related to the handling of plan assets or record keeping practices, and that no employee was terminated, reassigned or otherwise disciplined as a result of the audit.
- iii. SSAE16 Compliance (SOW Section 3-E, item iii): Respondents must submit a copy of its most recent SSAE 16 audit to the City along with its plan to deal with any identified audit deficiency prior to execution of a contract award.

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- iv. Open Architecture (SOW Section 3-E, item iv): Respondents should confirm that their products have an open architecture. Also please note any limitations/exclusions in its administrative capability to include investment options from other entities.
- v. Consultant/Advisor Notifications (SOW Section 3-E, item v): Respondents must confirm their agreement with the notification requirement as detailed.
- vi. ERISA 408 (SOW Section 3-E, item vi): Respondents must confirm their compliance with all ERISA 408 regulations.
- vii. Account Records (Section 3-E, item vii): Respondents must confirm their agreement with all participant account record requirements.
- viii. Payroll Information (SOW Section 3-E, item viii): Respondents must confirm their acceptance of the City's payroll file without modification.
- ix. Emergency Preparedness Plan (SOW Section 3-E, item ix): Proposers must provide assurance that such a plan has been successfully tested within the twelve months ending June 30, 2014.
- x. Benefit Application Administration (SOW Section 3-E, item x): Respondents must confirm their acceptance of the administration requirements.
- xi. Routine Plan Sales/Marketing (SOW Section 3-E, item xi): Respondents must confirm their agreement with the requirements of this section.
- xii. Committee Meetings (SOW Section 3-E, item xii): Respondents must confirm they will attend ALL scheduled Committee meetings.
- xiii. Reporting (SOW Section 3-E, item xiii): Respondents must confirm their agreement with the reporting requirements detailed in this section, including investment activity, Plan rollouts, "onsite" requirements and account summaries.
- xiv. Revenue Restrictions (SOW Section 3-E, item xiv): Respondents must confirm their agreement with all requirements in this section.
- xv. Revenue Disbursement (SOW Section 3-E, item xv): Respondents must confirm their agreement with all requirements in this section.
- xvi. Record Retention (SOW Section 3-E, item xvi): Respondents must confirm their agreement with all record retention requirements identified in this section
- xvii. Expenses (SOW Section 3-E, item xvii): Respondents must confirm their agreement with all requirements in this section.

**F. Conflict of Interest**

Identify all affiliations, partnerships, contracts, or similar arrangements your firm has engaged in the last five years with other firms who may seek to respond to this Request for Proposals. Please state why you do or do not believe the current or previous arrangement will pose a conflict of interest.

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**4. EXCEPTIONS:**

Be advised that exceptions to any portion of the Solicitation may jeopardize acceptance of the response.

If any exceptions are taken by a Respondent to any term or condition of this Solicitation, the Respondent must clearly indicate each specific exception taken, include a full explanation of the reason for said exception, and include any proposed language for any alternative term as a separate attachment to the response, stating clearly in writing that the Respondent's Contract or Legal staff have reviewed and proposed all such terms in the Respondent's exceptions. The failure to identify exceptions or proposed changes with a full explanation and substitute language shall constitute acceptance by the Respondent of the Solicitation as proposed by the City. The City reserves the right to reject a response containing exceptions, additions, qualifications or conditions not called for in the Solicitation.

**5. RESPONSE PREPARATION COSTS:**

All costs directly or indirectly related to preparation of a response or any oral presentation required to supplement and/or clarify a proposal which may be required by the City shall be the sole responsibility of the Respondent.

**6. EVALUATION FACTORS AND AWARD**

A. **Competitive Selection:** This procurement will comply with applicable City Policy. The successful Respondent will be selected by the City on a rational basis. Evaluation factors outlined in Paragraph B below shall be applied to all eligible, responsive Respondents in comparing responses and selecting the Best Offeror. Responses should be submitted on the most favorable terms. After the Best Offeror is selected, the City will negotiate a Contract, including compensation, with the Best Offeror.

B. **Evaluation Factors:** 100 points

- i. Experience and Financial Stability – 10 points
- ii. Participant Services – 25 Points
- iii. Administration and Regulatory Services – 10 points
- iv. Investment Approach – 20 points
- v. Fees/Revenue – 35 points

C. **Interviews:**

The City will score proposals on the basis of item 1-5 above. The City may select a "short list" of Proposers based on those scores. "Short-listed" Proposers may be invited for interviews with the City for an additional **35 - Points maximum**.