



# OKLAHOMA TEACHERS RETIREMENT SYSTEM

## Administering The 403(b) Tax-Sheltered Annuity Plan Request for Proposal #OTRS2500

### *Questions & Answers*

*Q. The RFP states that assets in the TSA plan totaled approximately \$217 million as of December 31, 2008. Would all of these assets be mapped to the new plan arrangement at launch? If no, please describe what portion of the assets would be mapped and over what timeframe.*

*A. On July 1, 2009, 80% of the 403(b) plan assets will be transitioned to the successful vendor. The balance of the plan assets will be transferred after July 20, 2009.*

*Q. On page 9 of the RFP, it indicates that 225 school districts currently have participants in the plan. Would each of these 225 school districts automatically participate in the new plan arrangement?*

*A. No. The only school districts that will be included in the transition will be those who elect to continue to offer Oklahoma Teachers Retirement System as a 403(b) TSA provider.*

*Q. Are payroll contributions handled through a centralized process or would contributions be received from the 225 districts individually?*

*A. Contributions will be received from the individual school districts.*

*Q. Are there separate plan documents for each of the 225 school districts or a single plan document governing the OTRS TSA plan?*

A. Each school district will have a Plan Document.

*Q. According to the applicable Plan Document, who will have the authority for approving distributions under the new arrangement?*

A. The authority for approving distributions is outlined in the individual Plan Document.

*Q. Item C on page 23 indicates that no proposal may include “front-end loads/fee/commissions” or “back-end loads/fees/commissions.” Please clarify what is meant by “fee/commissions” in this context.*

A. Please refer to page 22, Section VII – Fee Proposal

*Please provide additional clarification regarding the structure contemplated by Category Three.*

*Q. How does this differ from the current environment in many schools districts where multiple institutions provide investment products to participants and a third party administrator addresses various 403(b) plan compliance activities?*

A. There is no significant difference.

*Q. Would the TPA referenced under this scenario provide full recordkeeping, aggregation and approval services for the investment options offered?*

A. No.

*Q. Would Oklahoma Teachers Retirement System select multiple investment providers under Category Three?*

A. No.

*Q. Question 49 references the need for vendors to accept wire transfers at vendor expense. Is this meant to suggest that vendors would pay the wiring costs of OTRS and applicable school districts? If yes, please estimate the number of wire transfers and cost per wire that a vendor could anticipate in a given year under each of the four scenarios.*

A. The vendor is responsible for any charges assessed by the receiving financial institution.

*Q. The RFP indicates that currently “OTRS, Payroll Officers or Third Party Administrators” can authorize distributions from the 403(b) Plan. If OTRS selects a vendor to handle recordkeeping services only, who would be responsible for authorizing distributions going forward?*

A. The Payroll Officers or the Third Party Administrator who has contracted with the school district.

*Q. Do any of the applicable school districts have existing TPA relationships for which the selected recordkeeper or investment provider will be assessed an ongoing fee for 403(b) plan compliance services provided by the TPA? If yes, please quantify estimated costs.*

A. We cannot address this question as we do not know the provisions of the contract between the school district and Third Party Administrator.

*Q. The RFP indicates that it is “anticipated” that future investment vehicles would be annuity contracts and/or custodial accounts. This language implies there is the possibility that OTRS could continue to use the grandfathered contract. Will OTRS select a new investment vehicle in lieu of the grandfathered contract or on a side-by-side basis with the grandfathered plan?*

A. OTRS will select a new investment vehicle in lieu of the grandfathered plan.

*Q. Will participant contributions continue to be allowed to the grandfathered contract?*

A. No.

*Q. On page 8, Section IV, D, the RFP notes “The OTRS TSA Plan is a “grandfathered” government plan under Treas. Regs. §1.403(b)-8(c)(ii). What are the reasons for distribution under this grandfathered contract?”*

A. Distributions are made in accordance with the IRS Code.

*Q. Will contract exchanges be permitted from the OTRS grandfathered contract to new contracts? Will the OTRS grandfathered contract be authorized to accept contract exchanges from the new investment products selected under the RFP?*

A. We issued no annuity contracts. Transfers in and out of the Plan will be permitted in accordance with provisions of the Plan Document of each school district.

*Q. The RFP refers to 147,000 eligible employees. Is this referencing all eligible school district employees or only those school district employees who are members of Oklahoma Teachers Retirement System?*

A. This number represents the active and retired clients of Oklahoma Teachers Retirement System.

*Q. Will Oklahoma Teachers Retirement System, or the school district, inform the TPA of a participant's severance of employment with the school district?*

A. The school district will provide this information.

*Q. Will the Plan be looking for services to provide annual notification to all employees eligible to participate in the 403(b)?*

A. Yes, if not more frequently than once a year.

*Q. While the RFP notes that Oklahoma Teachers Retirement System can provide the recordkeeper with dates of birth of employees participating in the 403(b) plan, will OTRS have data regarding all eligible employees of the school districts, whether or not they are currently participating in the 403(b) plan?*

A. Yes.

*Q. Participant accounts are not assessed administrative fees for services rendered by OTRS. However, investment management fees are deducted from gross earnings prior to earnings being applied to member accounts according to Oklahoma Administrative Code Section 715:10-19-2(4). If the recordkeeper takes on the services as a delegation of authority from OTRS, would the "no administrative fee for services" on participant accounts also apply to recordkeeping services?*

A. No.

*Q. The RFP indicates that there are approximately 5,000 participants in the OTRS 403(b) plan. How many of these participants are actively contributing to the plan?*

A. Approximately 2,800.

*Q. Please provide a summary of net cash flow (contributions including transfers less surrenders) for the OTRS 403(b) plan for the two most recent years.*

	<u>Net Cash Flow</u>
A. For Calendar Year 2007	(\$14,713,668)
For Calendar Year 2008	(\$30,200,547)

*Q. What entity is the current recordkeeper for the OTRS 403(b) Tax-Sheltered Annuity Plan?*

A. Oklahoma Teachers Retirement System.

*Q. What entity is the current custodian and paying agent?*

A. Oklahoma Teachers Retirement System.

*Q. Are there multiple 403(b) plans available to the 147,000 eligible members?*

A. Yes, but only one plan offered by Oklahoma Teachers Retirement System.

*Q. Please refer to Page 10 of the RFP under "L. Employees Contributions." It states that each employer remits employee contributions to OTRS along with appropriate documentation. Can we assume that OTRS consolidates contributions into a single feed to the recordkeeper?*

A. Currently, OTRS is the recordkeeper. Once the new recordkeeper is in place, the schools districts will remit contributions directly to the recordkeeper.

*Q. Is there a need for payroll feedback files to OTRS or the individual school districts?*

A. Yes, the school districts will require feedback files.

*Q. Is it necessary for the vendor to hold the records of the eligible non-participating employees?*

A. No.

*Q. It appears the intention is to increase the investment options to allow participant investment direction.*

A. Yes, this is our intent.

*Q. Section II, S on page 6 of the RFP: This section states, “The selection of investment managers and investment consultants for the state retirement systems is specifically exempt from the competitive bidding procedures established by Oklahoma Statutes.” What is meant by that statement?*

A. Oklahoma Teachers Retirement System is exempt from utilizing the mandatory competitive bidding process when selecting investment professionals.

*Q. Section II, U 3 on page 6 of the RFP requires Vendor’s to accept “...the terms and conditions contained within the RFP.”*

*1. The RFP does not contain a model or sample contract or set out typical contract terms and conditions. Can Vendor’s proposal assume mutually agreeable contract terms will be negotiated after contract award, or is there a model contract that states uses that Vendor should review and comment to in the Vendor’s Proposal?*

A. The contract will incorporate the provisions and terms contained within the RFP. There may be negotiations regarding fees. Vendor’s proposal may assume mutually agreeable contract terms will be negotiated after contract award. However, Vendors should be aware that the Oklahoma Teachers Retirement System is prohibited from agreeing to indemnification clauses per Attorney General’s Opinion 06-11.

*2. Once you provide a sample contract, will you accept questions regarding the contract?*

A. There is no “sample” contract.

*3. Aside from other contract terms and conditions not set out in this RFP, since the RFP may be incorporated into the contract by reference, can Vendor set out any exceptions and/or requested changes in Vendor’s Proposal without being non compliance with Section II, U, 3?*

A. No.

*Q. Section V, General Questionnaire, questions 74, page 20: This section asks for the steps that would be taken to ensure a smooth transition from the current record keeper. Would it be possible for bidders to obtain a copy of the contract with the current record keeper?*

A. Oklahoma Teachers Retirement System is the current record keeper and therefore there is no contract to review.

*Q. On page 13 of the RFP, question 28, OTRS asks about tracking employer contributions. Are there plans to add an employer contribution to the Tax-Sheltered Annuity Plan?*

A. Yes.

*Q. The RFP states that the contract begins on July 1, 2009. Is it OTRS' intention to have the new recordkeeper live with the new investment options by that date?*

A. Yes.

*Q. Are distribution request tied to the defined benefit plan in any way?*

A. No.

*Q. Does OTRS anticipate the vendor providing participant level detail to any third parties? If yes, how many? Will the standard SPARK 403(b) format suffice?*

A. Yes. The Vendor may be required to provide information to third parties. How many will depend upon each school district. It is our understanding that the SPARK format will be an acceptable format.

*Q. What is the current valuation frequency? If the plan is not valued daily, does OTRS anticipate moving to a daily valuation with this move?*

A. Currently, the valuation occurs on a monthly basis. In the future, we anticipate the valuation to occur daily.

*Q. Can you offer some more details surrounding the following requirement? "The respondent must be willing to enter into reasonable information sharing agreements and vendor agreements with the local school districts and respond to all requests for the same."*

A. Please refer to the IRS website and the provisions of the Pension Protection Act of 2006 (Final regulations released July, 2007).

*Q. If participants are eligible for and contribute to multiple 403(b) programs, who is responsible for ensuring contribution limits and minimum distribution requirements are enforced across the plans?*

A. The Third Party Administrators, or the school district if they are self administering the plan.

*Q. Can OTRS confirm it is their intent to award the service contract on an exclusive basis to all current school districts, or will each school district continue to offer programs through multiple vendors, including OTRS?*

A. It is at the school districts discretion whether they are exclusive with OTRS or offer multiple vendors.

*Q. Can the plan provide the number of vendors currently servicing the program?*

A. OTRS contracts with no vendors to service the current plan.

*Q. Can OTRS provide the number of eligible participants by school district?*

A. No.

*Q. Please describe the current process related to the information sharing agreements/vendor agreements and how is the plan handling those today.*

A. OTRS is currently entering into information sharing agreements and provider agreements with individual school districts and Third Party Administrators.

*Q. Can the plan provide the number of hardships processed in 2008?*

A. Yes – we processed 14.

*Q. Would we be allowed to print the responses double-sided for all categories?*

A. No.

*Q. Would we be allowed to provide the supplemental information on CD-ROM? If so, would we be allowed to provide more than 20 pages?*

A. No.

*Q. Please confirm the number of CDs.*

A. 10

*In regards to the Defined Benefit plan, are the following questions.*

*Q. Is the Defined Benefit plan valued daily?*

A. Yes.

*Q. How is it valued on the participant statements (cash or unitized)?*

A. The accounts are valued at cost.

*Q. How is it currently administered including trading and settlement?*

A. The administration of the plan is handled by Oklahoma Teachers Retirement System. We also contract with a Master Custodian and **23** professional investment management firms.

*Q. Are the participant transactions held until the end of the month/quarter?*

A. No. Transactions are posted daily.

*Q. Is there a Plan Document? Can we get a copy of it?*

A. Yes. The plan provisions are outlined in our “Rules and Laws” which you can review on our website at [www.ok.gov/trs](http://www.ok.gov/trs).

*Q. Do all school districts have the same plan provisions?*

A. No.

*Q. Does OTRS have any authority to make decisions on behalf of the school district in regards to plan provisions?*

A. No.

*Q. Will OTRS operate as a conduit for all contributions, distributions, enrollment, information, etc? If not, what role will OTRS play going forward?*

A. OTRS will not operate as a conduit for contributions, distributions, enrollment, information, etc. OTRS may act as a liason between the client and the vendor.

*Q. Can the school districts sponsor another 403(b)/457 plan in addition to the OTRS plan? If yes, do the participants get the choice between which to participate in?*

A. It is at the discretion of the school districts as to how many 403(b) plans and 457 plans they wish to sponsor. We anticipate that the client will have the opportunity to decide which plan(s) they choose to contribute to.

*Q. Are there outstanding participant contracts/accounts outside of the co-mingled fund?*

A. No.

*Q. Per Section M: Hardships are allowed and coordinated/approved by the employer or Third Party Administrator. Does each school district approve their own hardships or does OTRS approve them?*

A. The school district, if self administering, or the Third Party Administrator approves all requests for hardship withdrawals.

*Q. Per Category Four – Recordkeeper and Investment Options. Should the assumption be made that plan communication and education will continue to be handled by school district’s payroll offices and local third party administrators within a fee based arrangement paid by the school district?*

A. No. Plan communication and education will be the responsibility of the successful vendor.

*Q. It appears the plan assets are all commingled with the Defined Benefit plan. Will all these plan assets be transferred out of this commingled arrangement into the new plan investment options via a group transfer and allocated to the plan default or participant election?*

A. Yes.

*Q. Does your 403(b) plan have surrender charges?*

A. No.

*Q. For the new accounts, will this be all new money going forward or are you looking to roll existing accounts into the offering?*

A. Existing accounts will be rolled into the new offering.

*Q. If rolling, how many current 403(b) participants do you have and do you have an approximate account balance?*

A. We currently have approximately 4,900 participants with accounts totaling \$217 million.