



State of Rhode Island  
State Investment Commission  
Office of the General Treasurer

# Request for Proposals

Recordkeeping, Communication,  
Administration and Investment Options

State Of Rhode Island  
Defined Contribution Plan

Issued December 12, 2011  
Responses due January 20, 2012



## SECTION 1: OVERVIEW

The following subsections provide general information about the RFP.

### 1-1 Executive Summary

The Rhode Island State Investment Commission (SIC) and the Rhode Island Office of the General Treasurer (Treasurer) (Collectively the SIC and the Treasurer may be referred to as the “State”) are seeking comprehensive, bundled Defined Contribution Plan recordkeeping, communication, administration and investment options for the State of Rhode Island Defined Contribution Plan (“Plan”). Proposal specifications are set forth in Section 2-2, “Scope of Services.”

**Proposals in response to this RFP are due no later than 5:00 P.M. Eastern Time (ET) on January 20, 2012.**

### 1-2 Minimum Bidder Qualifications

The bidder must demonstrate a history of providing the desired services with a minimum of 10 years of experience. The bidder must have a minimum of \$20 billion in DC assets under management as of September 30, 2011. The bidder must have the ability to have the plan fully operational by July 1, 2012.

### 1-3 Single Point of Contact

The sole point of contact for questions and all other contractual matters relating to this RFP is:

Name: Andrew S. Marcaccio  
Title: Legal Counsel  
Office of the General Treasurer  
State House -Room 102  
82 Smith Street  
Providence, RI 02903  
FAX: 401-222-6140  
E-Mail: [amarcaccio@treasury.ri.gov](mailto:amarcaccio@treasury.ri.gov)

Any e-mail communication with Mr. Marcaccio must include the words “State of Rhode Island DC Plan Administration RFP” in the subject line. Eight (8) copies of the Bidder’s proposals as well as an electronic copy are due by 5:00 PM on January 20, 2012, and are to be delivered and marked to the attention of Andrew S. Marcaccio (see above).

Attempts by bidders to contact any other party may result in the rejection of their proposal.

**1-4 Bidder Questions**

Questions must be submitted in writing until the date and time specified in Section 1-5, *RFP Timetable*. E-mail is the preferred method of communicating questions. All e-mail communications with Mr. Marcaccio must include the words “State of Rhode Island DC Plan Administration RFP” in the subject line.

All questions submitted must include the name of the firm and the person submitting the questions.

**1-5 RFP Timetable**

Release Date of the RFP:	December 12, 2011
Questions Due by:	December 19, 2012
* Bidders’ Conference:	January 5, 2012, 9AM-12PM (EST)
** All proposals must be submitted no later than 5:00 P.M. Eastern Time on:	January 20, 2012
*** Finalists’ Presentations	February 22, 2012, 9AM Start (EST)
Service Provider Selection by SIC	March 1, 2012
Plan Effective Date	July 1, 2012

\* Bidders’ Conference will be held at the Department of Administration Building, Conference Room A, One Capitol Hill, Providence, RI 02908

\*\* Eight (8) copies of the Bidder’s proposals as well as an electronic copy are due by 5:00 PM on January 20, 2012, and are to be delivered and marked to the attention of Andrew S. Marcaccio, Esq., State House – Room 102, 82 Smith St., Providence, RI 02903 (see section 1-3 for details).

\*\*\* Finalists’ presentations will be held at the Rhode Island State House – Room 135, 82 Smith St., Providence, RI 02903



## **SECTION 2: BACKGROUND INFORMATION**

### **2-1 General Information**

Through legislation signed into law on November 18, 2011, Rhode Island has restructured its core retirement program for public employees effective July 1, 2012. The new program is a combination defined benefit/defined contribution retirement system. The defined benefit pension plan is an existing plan that has been amended effective July 1, 2012 to provide future benefit accruals at 1% of final five (5) year average salary multiplied by years of service. Information regarding the state's defined benefit pension program can be found at the following website: [www.ersri.org](http://www.ersri.org).

In addition to its defined benefit pension program, the State of Rhode Island is establishing a new defined contribution plan for the exclusive benefit of state employees, teachers and municipal employees effective July 1, 2012. The plan will be a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code (IRC). The plan is not subject to the requirements of ERISA or those sections of the IRC not applicable to governmental plans. It is estimated that the plan will initially cover approximately 30,000 government employees and annual contributions will be in the range of \$100 million to \$150 million.

The defined contribution plan will be an integral part of each participant's retirement resources. Attached to this RFP (Exhibit A) is a copy of Chapter 36-10.3 of the Rhode Island General Laws which establishes and governs the defined contribution plan.

The State of Rhode Island currently has an internal staff as part of the Office of the General Treasurer that administers the state's defined benefit pension plan. While Treasury staff will be available to assist with the defined contribution plan, the state is seeking a service provider that can handle all aspects of defined contribution plan implementation and administration. The organizational chart for the Employees Retirement System of Rhode Island is attached to this RFP (Exhibit B). Section 457 and 403(b) plans are also maintained for members by various employers.

### **2-2 Scope of Services**

The State of Rhode Island is seeking comprehensive Defined Contribution Plan recordkeeping, communications, administration, investment and retirement planning services for the State of Rhode Island Defined Contribution Plan. The preference is for a bundled approach but alternatives will be considered.

The services that are being sought include the following four components:

- Investment Options and Management – must include an open platform of prudent investments with the primary focus of providing participants with resources for retirement.
- Administration – support the administration of the plans by providing full service processing of plan transactions.
- Recordkeeping – record the transactions in a timely and accurate manner.
- Communications – support investment education and communication services for participants.
- Retirement Planning – provide retirement planning advice upon a member's retirement.

Subcontracting of some of the above components is permissible upon approval of the State, providing it is understood that the bidder will be responsible for ensuring the subcontractor meets the expectations and mandates of the RFP and subsequent contractual requirements.

## **2-3 General Description of Defined Contribution Plan**

### **2-3.1 Eligibility and Participation**

Each Rhode Island teacher, most state employees, and most municipal employees participating in the Municipal Employees Retirement System (MERS), will become a participant in the new defined contribution plan effective July 1, 2012.

### **2-3.2 Contributions**

#### *Employee Mandatory*

Most state employees, teachers and MERS general municipal employees are required to make a pre-tax contribution to the defined contribution plan in the amount of 5% of salary/base pay. In addition, teachers and MERS general employees who are employed in positions that do not contribute to Social Security are required to make a supplemental contribution to the defined contribution plan in the amount of 2% of salary/base pay. MERS public safety employees who are employed in positions that do not contribute to Social Security are required to make a contribution in the amount of 3% of salary/base pay.

#### *Employer*

The State makes a contribution to the plan on behalf of each state employee of 1% of salary/base pay. Employer contributions are made on behalf of each teacher of 1% of salary/base pay. Employer contributions for teachers are shared 40% by the State and 60% by the local municipality. For MERS general employees, the municipality makes a contribution of 1% of salary/base pay. For

teachers and MERS participants not participating in Social Security, the municipality makes a supplemental contribution of 2% of salary/base pay. For MERS public safety participants not participating in Social Security, the municipality makes a contribution of 3% of salary/base pay.

#### *Payroll*

For state employees, contributions are made as of the close of each bi-weekly pay period. There are 26 contributions per year. The State has one payroll system through which contributions are deducted and all state employees are paid on the same date. For teachers, most local education units have an annual cycle of 21 bi-weekly payrolls, while some have 26 bi-weekly payrolls. With regard to municipalities, most are on 26 bi-weekly payroll periods. The state's retirement system that administers the defined benefit plan receives 145 payroll feeds. A similar number of payrolls will be applicable to the defined contribution plan.

#### *Voluntary Employee Salary Deferrals*

The defined contribution plan legislation authorizes voluntary employee salary deferrals. The State also makes available to all its employees an IRC Section 457 plan. Municipalities and local education units may also offer a 457 plan or 403(b) plan to employees.

### **2-3.3 Vesting**

Participants will always be 100% vested in their contribution. Employer contributions will be subject to a three year cliff vesting schedule. Service for vesting purposes includes the entire period of an employee's service, including service prior to July 1, 2012. Non-vested participants who withdraw from the plan will forfeit the employers' contribution. The forfeited money will be remitted back to the plan sponsor on a periodic basis.

### **2-3.4 Investments**

Investments for the defined contribution plan should be designed in a manner that emphasizes a long-term approach to creating a secure retirement for plan members. Recognizing that investments will be subject to participant choice, important considerations will include participant education and communication services, as well as an investment structure that addresses risk and investment expenses in a prudent manner. Investment structures that promote a disciplined, diversified, long-term strategic allocation are preferred.

Rhode Island's defined contribution plan is an integral part of each employee's primary retirement plan and is intended to be operated and invested in a manner that will provide members with a secure source of retirement benefits. Primary considerations include appropriate fund line-up, low costs, fund performance and open architecture. Target retirement date or "life cycle" funds should be provided as well as a range of low cost investment options. The investment structure/design should encourage plan participants to apply a disciplined, long-term approach to strategic

investment allocations consistent with the primary plan purpose of providing resources for retirement.

### **2-3.5 Additional Plan Features**

The defined contribution plan is intended to operate as a core retirement plan, not as a supplemental savings plan. As such, in service distributions such as loans or hardship distributions should be permitted only in circumstances that justify a divergence from the core retirement purposes of the plan. You will be asked as part of this RFP to indicate your capabilities for providing such services and also to provide your considered view on whether these options should be provided as part of a core retirement program and if so, how they should be structured.

It is intended that employees who retire or otherwise terminate employment will have a full range of payout options available under 401(a) plans, including annuities, from which to choose.

The plan will rely on the plan administrative, recordkeeping and investment service provider to provide payouts under the plan.

### **2-3.6 Plan Compliance**

The bidder selected to provide these services will be responsible for various plan compliance issues. The State will require assistance in drafting and preparing plan documents. In addition, a representative of the selected bidder must be available to attend periodic plan administrative committee meetings and be prepared to report on the current status of the plan and its activities as handled by the selected bidder. The selected bidder will also be required to provide trust or custodial services for plan assets.



## **SECTION 3: RFP GUIDELINES**

### **3-1 Length of Potential Contract**

The State intends to enter into a five (5) year initial term for the services solicited in this RFP. The State may extend the contract for an additional two (2) years under the same terms or, if both parties agree in writing, the parties may agree to modified terms.

### **3-2 Services Proposed**

Proposals shall assume that the Proposer will be responsible for all services referenced herein. The Proposer may provide such services directly or, upon approval of the State, the Proposer may subcontract out any of the referenced services, provided that the Proposer remains responsible to the State for all subcontracted services.

### **3-3 Complete Responses**

All terms, conditions, requirements, and procedures included in this RFP must be met for a proposal to be determined responsive. This includes the completion of all certifications and other documents required in addition to the proposal questions. A proposal that fails to meet such requirements will be deemed unresponsive and may be disqualified.

### **3-4 Withdrawing and Resubmitting RFPs**

The Proposer has the right to withdraw and resubmit a proposal prior to the proposal deadline. No withdrawals or re-submissions will be permitted after the proposal deadline.

### **3-5 Proposer Communication**

All Proposers are prohibited from communicating directly with any employee of the Office of the General Treasurer or member of the SIC, except as specified in this RFP. Unless specifically permitted in this RFP, no employee or member is authorized to provide any information or respond to any question or inquiry concerning this RFP. An exception to this guideline applies to individuals or Proposers that currently do business with the Office of the General Treasurer or SIC and such exceptions shall be limited to that business and should not relate to this RFP. Failure to observe this guideline may result in disqualification.

### **3-6 Period of Proposal Validity**

The Proposer shall agree to maintain the validity of the proposal for a minimum of 120 days from the date of submission. This term may be extended by mutual agreement between the Proposer and

the State. The selected Proposer must provide a model contract as part of its submission and must be ready and willing to produce a finalized contract within 30 days of its selection.

**3-7 Costs**

The State will not compensate the Proposer for any costs that are not explicitly identified in the Proposer’s contract. The State will not be responsible for any costs or expenses incurred by the Proposer in responding to this RFP.

**3-8 On Site Visits**

The State reserves the right to conduct an on-site inspection of all Proposer locations at any time prior to the awarding of this contract to verify the Proposer’s ability to perform the services required. The State will schedule the time of these visits and will provide notice of at least three (3) business days.

**3-9 Submissions**

The SIC will have the sole authority to make the final selection of the Proposer(s) pursuant to this Request for Proposals (RFP). Proposals will be evaluated objectively based on the criteria set forth in this RFP. The SIC may accept one or more proposals and it reserves the right to reject any and all proposals submitted. Once submitted, all RFP submissions and related materials become property of the State under the custody of the SIC and the Treasurer.

**3-10 RFP Scoring Criteria**

- Investment Options and Management – open platform of prudent investments with the primary focus of providing participants with resources for retirement. 30%
- Communications – support investment education and communication services for participants. 25%
- Administration and Recordkeeping –full service processing of plan transactions and recording the transactions in a timely and accurate manner. 20%
- Fees 25%

Note: A meaningful lack of capability in any one of these areas is grounds for disqualification from the search.



## SECTION 4: BIDDER RESPONSES

- ✓ Please label answers with appropriate reference letters and numbers.

### A. Executive Cover Letter & Contact Information

An executive cover letter should accompany each proposal. The executive letter shall consist of an overview of the proposal. Please limit the executive summary to three pages.

Company Name	
Mailing Address	
Overnight Mailing Address	
<b>Primary Contact</b>	
Name and Title	
Overnight Mailing Address	
Telephone Number	
Fax Number	
Email Address	
<b>Secondary Contact</b>	
Name and Title	
Overnight Mailing Address	
Telephone Number	
Fax Number	
Email Address	

**B. Company Information**

- 1) Give a brief history of your company, including whether your company is a subsidiary or affiliate of another company.
- 2) Specify if the package of services being quoted is provided under a joint venture arrangement. If so, describe the arrangement, its terms and conditions and whether your company and the other companies have been involved in similar joint ventures in the past.
- 3) Indicate whether any services will be subcontracted to another company and briefly describe these services and the companies that may provide these services, and describe your history of working with such other companies. Disclose any conflict or perceived conflict of interest your company has with any of the service providers you will be using under this contract.
- 4) Describe any pending agreements to merge or sell your company.
- 5) Has your company been involved in litigation in the last five years or is there any pending litigation arising out of your performance or participation in a defined contribution plan? If yes, describe. (Exclude routine interpleader actions, garnishments, and similar routine matters involving participants and beneficiaries that do not reflect on your performance of your contract.)
- 6) Has your company been cited or threatened with citation within the last five years by any federal or state regulators for violations of any state or federal law or impending regulation? If yes, describe. Please disclose any criminal convictions, securities or antitrust law violations, material civil or regulatory fines or judgments against the company during the past five (5) years.
- 7) Provide the number of years of experience (minimum of ten (10) years) your company has in the business of administering defined contribution plans:
  - a) 401(a) plans
  - b) 457(b) plans
  - c) 401(k) plans
- 8) Provide the current number of plans for which your company provides retirement plan administrative services.

Defined contribution plan size	Total Number of Plans
Under \$50 million in assets	
\$50-\$100 million in assets	
\$100-\$250 million in assets	

Defined contribution plan size	Total Number of Plans		
\$250-\$500 million in assets			
More than \$500 million in assets			
<b>Total</b>		<b>Total Assets</b>	

For how many clients does your company currently provide the requested services? As of 12/1/2011 provide the following information:

Plan Size	All Defined Contribution Plans (includes 457, 403(b), 401(a) and 401(k) plans)	All Governmental Defined Contribution Plans	Governmental 401(a) Plans
Under 1,000 participants			
1,000 to 4,999 participants			
5,000 to 10,000 participants			
Above 10,000 participants			
<b>Total</b>			
<b>Total Participants</b>			

9) Please provide a sample list of governmental clients and total number of defined contribution 401(a) plans, 457(b) governmental plans, and employer 403(b) plan. Describe your ability to educate participants regarding contribution limits.

10) Discuss and provide examples of your commitment to the retirement market specifically focusing on the segment of your company that will be servicing the State of Rhode Island.

11) What is your company's average client relationship duration?

12) Provide a list of DC clients gained and lost for the past 3 years ending September 30, 2011

13) Please attach a copy of your company's model contract for the services to be provided pursuant to this RFP.

14) Provide three (3) current client references.

**Current Client Reference 1**

Name of organization:	
Name of contact:	
Contact title/position:	
Mailing address:	
Email address:	
Telephone number:	

**Current Client Reference 2**

Name of organization:	
Name of contact:	
Contact title/position:	
Mailing address:	
Email address:	
Telephone number:	

**Current Client Reference 3**

Name of organization:	
Name of contact:	
Contact title/position:	
Mailing address:	
Email address:	
Telephone number:	

- 15) In the last five years, has your company had a contract terminated by a client for cause? If so, by whom and under what circumstances?
- 16) Disclose the percent of total revenue derived from providing the type of services solicited herein (administration of contributory, participant-directed retirement plans) and the percent of revenues derived from each other principal business.
- 17) Please provide an organizational chart for:
- a) Professional staff; and
  - b) Corporate organization including parent, subsidiaries, affiliates, joint ventures and sub-advisories.
- 18) Provide the location and functions of each of your firm's offices (please exclude pure sales/branch offices) that would provide services to Rhode Island in the following format:
- | <u>Location</u> | <u>Function(s)</u> | <u>No. of Professionals</u> |
|-----------------|--------------------|-----------------------------|
|                 |                    |                             |
- 19) Describe the levels (dollar amounts) of coverage for SEC required (17g-1) fidelity bonds, errors and omissions coverage and any other fiduciary coverage which your firm carries. List the insurance carriers supplying the coverage.
- 20) Indicate your company's willingness and ability to act as a fiduciary of the plan. Please specify the number of plans for which you act as a fiduciary.
- 21) Provide a detailed summary of your firm's compliance process. Does your firm maintain a code of ethics? If so, please attach to your response.
- 22) Has your company ever filed a petition for or has your company or any of your affiliates been petitioned into bankruptcy or insolvency, or has your company ever made any assignment for the benefit of your creditors? If so, provide complete details.
- 23) Is your company licensed to conduct business in the State of Rhode Island? If not, attach an opinion of counsel giving his or her opinion as to whether he or she anticipates any difficulties in obtaining all necessary licenses prior to the effective date of the contract. Do all your products and services comply with all federal and State of Rhode Island regulations? If not, specify. Is your company licensed in all states? If not, specify what states your company is not licensed to conduct business in.
- 24) Provide the names and biographies of key staff who would be assigned to the State's accounts.

### **C. Relationship Management**

- 1) Describe your approach to servicing and managing the relationship with the State of Rhode Island.
- 2) Describe your process for monitoring satisfaction for the services your company will provide.
- 3) How often does the team meet with the State of Rhode Island?
- 4) Describe how your company supports the State of Rhode Island on regulatory and legislative changes.
- 5) Can you provide a prototype document or other appropriate plan document to assist Rhode Island in the establishment of an IRS qualified 401(a) defined contribution plan that is also a governmental plan?
- 6) Describe any conflicts of interest your company may have in providing defined contribution plan services to the State of Rhode Island.

## **D. Participant Transactions**

- 1) Describe your company's suggested menu of distribution options for employees who are terminating employment or retiring.
- 2) Describe the resources made available to employees who are terminating employment or retiring to assist them in determining the most suitable forms of distribution to meet their required needs.
- 3) Since the principal purpose of the defined contribution plan is to serve as a core retirement asset for participants, how would you recommend structuring loans and hardship withdrawals to serve this core purpose? How would loans or hardship distributions be available to participants under the services offered by your company? What restrictions do you recommend on loan or hardship distributions? Please confirm your ability to handle in-service distributions in accordance with IRS regulations.
- 4) Describe your company's ability to handle loans and hardship distributions if the transactions are limited solely to a member's elective contribution account.
- 5) Describe the loan process explaining in detail the process and timing for initiating, processing, and maintaining loans. What channels support loans – via your company's voice response system, via customer service representatives, or via website? Does your system allow for loan modeling? Explain in detail how loan modeling is made available to participants.
- 6) Detail how loan payoffs, reamortization, and loan defaults would be handled.
- 7) What options for loan repayment are supported– payroll deduction or direct repayment by participant? Is your company able to accommodate both types of repayment? How is loan information provided to payroll?
- 8) Please confirm your ability to manage various loan provisions and restrictions such as minimum loan amounts, maximum loan amounts, and a maximum of outstanding loans available at a time. Describe interest rate charged and methodology.
- 9) Describe your company's suggested processes to handle the initiation and processing of the transactions listed below. Please be sure to include details about the various access channels participants would have available to initiate transactions.
  - a) Unforeseen Emergency Withdrawals
  - b) Domestic Relations Orders
  - c) Age 59-1/2 in-service distributions
  - d) Lump Sum Distributions

- e) Installments
- f) Rollovers to other institutions
- g) Death and beneficiary processing

10) Describe your company’s process to accommodate direct rollovers into the Plan, including direct rollovers of different plan types (e.g., defined benefit, 401(k), 401(a), and governmental 457(b) plans). What is required from the participant in order to initiate and complete such rollovers? How are rollover requests communicated to/from providers?

11) Describe your company’s process to accommodate transfers into the Plan.

12) Describe your standards for transaction processing

Activity	Quality Standard (business days)	Explanation
Contributions processed and posted to investments		
Loan processing		
Distributions processed		
Exchanges executed		
Participant statements mailed		
Confirmation of participant transactions		

**E. Administrative Services**

- 1) What methods of data transmission do you support for interfaces between your company and the State of Rhode Island, its municipalities and local plan sponsors?
- 2) Describe the process to receive payroll files and methods of fund remittance your company supports?
- 3) How soon after receipt of funds are the funds reflected in participant accounts?
- 4) Describe your company's ability to support and qualify domestic relations orders (DROs). How is the support and communications with participants managed?
- 5) What procedures are in place to ensure that the plans continue to be operated and serviced in accordance with regulation and the plan document?

## **F. Systems**

- 1) Describe your company's recordkeeping system, including how long the system has been in existence, whether the system was developed internally or purchased.
- 2) How the system is maintained and updated?
- 3) How do you ensure that your recordkeeping system is in compliance with regulations?
- 4) Describe your business continuity/disaster recovery systems including:
  - a) Type of back-up facility for all primary systems used in providing the subject services to the State;
  - b) If back-up systems are provided by a third party, state the contractual guarantees for their services;
  - c) In the event of a disaster that disables all primary and back-up systems, state whether your firm has a recovery capability;
  - d) Describe the length of time and the procedures used to recreate one day's activity;
  - e) Describe plans in place to ensure communications with clients in the event of a disaster;
  - f) State how often the disaster recovery plan is tested and if there is an annual report; describe the results or include a copy of findings; and
  - g) During the last three tests, state how long it took to switch over to the recovery site and include test dates.
- 5) Describe your company's system security procedures and how information is secured.
- 6) Describe how your company monitors your systems such as capacity and failure.
- 7) Describe any hardware and software the state would need to install to implement your company's system.

## **G. Reporting and Recordkeeping**

- 1) Describe your company's processes relating to providing federal, state, and local tax reporting.
- 2) Describe your company's processes relating to 1099 form processing and distribution.
- 3) Provide a copy of your company's most recent SAS 70 report.
- 4) Describe the periodic management reporting that would be made available to the State of Rhode Island. What standard reports would be provided, and on what time period(s) would they be based? How are reports made available? How do you support ad hoc and customizable reports? Provide samples of your standard reports.
- 5) Describe in detail the plan sponsor on-line access with regard to plan management, reporting, and transactions. Can your system permit different levels of access for different staff levels and organizations?
- 6) Please provide access to a demonstration web site for the State of Rhode Island to access and review.
- 7) Describe your company's recordkeeping system:
  - a) How long has your system been in existence?
  - b) Was the system initially purchased from an outside vendor? If so, from whom?
  - c) If your system was not purchased, when was it first put into place and last updated?
- 8) Does your organization charge the plan sponsor for system modifications required by legislative changes?
- 9) Can your recordkeeping system separately maintain a split of employee required contributions, employee elective contributions and employer basic contributions? Describe your procedures and requirements.
- 10) Can the system monitor §415 limits? Describe.
- 11) Can your system calculate vesting? Describe any limitations. Can you provide administration for the proposed vesting schedule described? If not, describe under what alternatives your company can calculate vesting.
- 12) Please describe the edits your system will perform on contribution data.

- 13) What controls are in place to ensure that the plan is administered according to the plan provisions and that contributions are appropriately and timely made by local government employers?
  
- 14) Do you foresee any specific problems incorporating the State's plan into your recordkeeping system? If so, describe in detail.

## **H. Participant Statements**

- 1) Confirm your company ability to support quarterly statements. How many business days after the end of quarter are statements made available?
- 2) Provide a sample participant statement that includes sample investments and account balances.
- 3) Are statements mailed directly to a participant's home address? If not, how are they distributed?
- 4) Is your company utilizing electronic statements? Are statements available on demand? If so, describe what type of statement is available (e.g., on-demand time period or copy of prior statement) and how a participant can request such a statement (e.g., voice response system, phone service representative, on-site representative, Internet).
- 5) Do quarterly statements include personal rate of return?
- 6) Please provide a sample statement for a 401(a) governmental plan. ‘
- 7) Describe your company's ability to provide participants with a statement that incorporates their defined contribution, defined benefit and social security retirement benefits. What do you require from the state's pension retirement system to provide an integrated benefit statement?

**I. Participant Access**

The selected bidder must staff a toll-free customer service line that will provide benefit service representatives for the plan. The benefit service representatives must be able to answer all participant questions about the defined contribution plan, its features and operations received in writing or over the telephone. This would include providing information on the investments offered and their performance. The representatives must be able to assist employees in all areas of their defined contribution plan participation including making investment election changes or transfers, obtaining account balance information and initiating benefit payments. An (800) telephone number must be available 24 hours a day, with voice response capabilities being a desirable service. An adequate number of participant service representatives must also be available to provide service over the telephone during reasonable hours.

In addition the selected bidder shall maintain a full-service secured, web site available to members and staff of the Treasurer’s Office to provide the same functionality available by telephone. The selected bidder will be responsible for preparing all basic plan administrative and communications materials. This would include, at a minimum, enrollment/application forms, payment method election forms and all other forms necessary for the operation of the plan. In addition, there must be separate brochures describing the plan and its investment options. Software modeling programs must be developed and made available to the Retirement Division that would allow staff to prepare a projection of benefits under both the applicable DB and DC plans. On-going maintenance and updates of the programs will be the responsibility of the selected bidder.

- 1) Complete the following technology capabilities chart by indicating which services are included in this proposal.

	Telephone Customer Service Rep	Voice response	Internet	Describe process if not provided through technology
Custom greeting using client name				
Enroll in plan				
Make initial election selection				
Receive Plan information (e.g., contribution, transfer, and withdrawal rules)				

	Telephone Customer Service Rep	Voice response	Internet	Describe process if not provided through technology
Receive fund performance and general information				
Account balance available by fund				
Account balance available by source				
Account balance graphics available				
Transfer funds by percent				
Transfer funds by dollar amount				
Fees associated with investment options				
Change investment direction for future contributions				
Ability to rebalance account				
Automatic rebalance tool available				
Initiate withdrawal request				
Complete paperless withdrawal request				
Learn distribution amount available				
Obtain distribution tax rules				
Initiate distribution				
Complete paperless distribution				
Make personal information changes				

	Telephone Customer Service Rep	Voice response	Internet	Describe process if not provided through technology
Make initial beneficiary designation				
Make beneficiary changes				
Establish PIN				
Change PIN				
Reset PIN (lost/forgotten)				
Access last quarterly statement				
Access statements for participant-specified period				
Provide links to participant education				
Access to financial calculators and tools				
View pending transactions				
View transaction history				
Select model portfolio				
Request literature				

- 2) Describe the account and balance information that would be available to participants through your company.
  - a) By phone
  - b) Online
  
- 3) Provide a demo login and password for the State of Rhode Island to use to explore your company's web access channel.
  - a) Login or user ID
  - b) Password
  
- 4) Describe your company's customer service center. Specifically discuss the following:
  - a) Location of service center.
  - b) Location of operations center, if different.

- c) Availability of Customer Service Representatives (e.g., days of the week, hours of the day)
- d) Staffing and recruiting (number of total representatives, minimum credentials, licensing, average tenure)
- e) New hire and ongoing training
- f) Team structure
- g) Problem resolution

5) Provide the following statistics for your participant toll-free service line for the two immediate prior calendar years (identify appropriate years):

	Calendar Year 2010	Calendar Year 2011
Quality standard for VRU answer time in number of seconds	Seconds	Seconds
Average actual VRU answer time in number of seconds	Seconds	Seconds
Quality standard for VRU downtime (hours per month)	Hours	Hours
Average actual VRU downtime (hours per month)	Hours	Hours
Number of Customer Service Representatives (CSRs)		
Total number of calls received by all CSRs during year		
Average number of calls per CSR		
Average length of call per CSR	Minutes	Minutes
Quality standard for number of seconds on hold to transfer to CSR	Seconds	Seconds
Average actual number of seconds on hold to transfer to CSR	Seconds	Seconds
Quality standards for call abandonment rate		
Actual call abandonment rate	%	%
Quality standard for amount of time to handle issue resolution		
Actual average amount of time to handle issue resolution		
Number of calls per CSR monitored by supervisor on a monthly basis		

- 6) How are personal identification numbers (PINs) handled? What security measures are taken to secure access to participant information?
- 7) Please describe your on-site representatives that will be assigned and the services they support.
- 8) Indicate if the representatives are employees of your company or if they are contractors? Also indicate the location(s) of the on-site representative(s) to be assigned to the State of Rhode Island.
- 9) Describe how representatives will work with the State of Rhode Island to meet with employees and be an effective resource.
- 10) Describe the compensation structure applicable to the on-site representative(s) that would be assigned. If salaried, describe the bonus opportunity associated with meeting goals of the Plans. If commissioned, describe the commission structure and amount anticipated.
- 11) What participant investment education will be made available to the State? If so, please state any additional cost in the separate cost proposal. Also please provide samples of all employee communications materials you have available.
- 12) Upon receipt of plan contributions, how quickly would monies be allocated to and invested in the investment funds? Provide a timeline of contribution processing and the requirements that you will impose on the State. Provide the same information for participant elections for transfers of funds between available investment options.
- 13) Check Disbursement Process:
  - a) Describe, including turnaround time, check preparation, cut-off dates, etc.
  - b) Will you accept verbal instructions? If yes, do written instructions need to follow?
- 14) List and describe your package's annuity payout options. Provide the actual and guaranteed purchase rates per \$1,000 for the following payment options on December 31, 2007, 2008, 2009, 2010 and 2011. For joint and survivor payment options assume that the spouse is the same age. Unisex rates are required.
  - a) Life only
  - b) Life and 10 years certain
  - c) 50% joint and survivor

Provide samples of descriptive payout option communication pieces that you would provide. Indicate how you monitor the insurance companies that provide annuity payouts and what standards you apply in selecting insurance company providers.

15) Briefly describe the plan level reports available and provide a sample of each.

16) How quickly after the close of the month are reports provided?

## **J. Communication**

- 1) Describe five recent situations in which your company has conducted the participant communication of a defined contribution plan as a replacement or supplement to a defined benefit plan. Fully describe the communications approach and methods used.
- 2) Fully describe how your company intends to educate employees regarding all aspects of the plans and present all necessary information in an accurate and clear manner and fully disclose to each employee all costs and plan features.
- 3) Describe what materials you would provide and how you would train plan sponsor employees to assist in conducting elections and enrollments. Provide relevant samples of all materials, including training and resource manuals. Indicate what software you would provide or license to the State. Describe its capabilities as well as the computer hardware that the State would need. Describe any licensing requirements you would impose.
- 4) Fully describe your communication philosophy in regard to implementation and ongoing servicing. How does communication differ in these different stages?
- 5) Does your company provide targeted communication materials? If so, describe in detail how individuals are classified into these groups and how communication differs between groups.
- 6) Fully describe the communication program and process for delivering and materials that are included in your proposal. Provide samples of education materials.
- 7) Describe your company's approach to investment education and asset diversification. What services and tools are available to educate participants? Provide a detailed listing of services, tools, seminars, and workshops. Provide samples, if practicable. Which approaches have you found to be most effective?
- 8) What type of support is provided to employees leaving the plan or who are in the process of retiring?
- 9) Confirm that your organization will provide fund prospectus and other required investment information directly to each participant. What delivery methods will be used to distribute such materials?
- 10) Describe in detail the full extent of your company's capabilities for providing investment guidance/advice.

- 11) Explain your ability to work with existing employees of the state's retirement system who will continue to provide member guidance with respect to the state's defined benefit plan.
  
- 12) Describe the ability of your company and representatives to become knowledgeable regarding the state's defined benefit pension program and to provide effective advice to participants regarding their comprehensive retirement benefits.

## **K. Implementation**

- 1) Describe your company's anticipated work-plan of activities, responsibilities, and time frames for implementation including member communication and education. Assuming that a service provider is selected by March 1, 2012, provide a detailed transition plan for an effective July 1, 2012 implementation, including timetable, responsibility chart, and data/information required from the State of Rhode Island.
- 2) Based on your organizational experience with similar implementations, what type of involvement should the State of Rhode Island have in the implementation and what resources will the State of Rhode Island be required to provide?
- 3) For the implementation team assigned to the State of Rhode Island, please provide an organizational chart of team members, years, and type of experience of each member, and biographies. How would the implementation team and the ongoing relationship team interact and transition?
- 4) What primary issues would your company raise as potential delays or problems to implementation? What recommendations would be made to forestall or resolve potential problems?
- 5) Please provide a detailed budget for the initial marketing/implementation of the program.



- 13) If your product does not allow same-day settlement for the guaranteed account, what is the settlement period (e.g., T+1)?
- 14) Describe the liquidity of the guaranteed account, relative to employee-directed withdrawals, including any termination charges, transfer restrictions and the period of time over which the guaranteed account could be liquidated.
- 15) Indicate specifically if any surrender charge or withdrawal restriction is based on years of participation or contribution years (e.g., rolling charge).
- 16) Indicate under what circumstances the surrender or withdrawal charge or restrictions would be waived.

## **M. Stable Value (Cash) Fund Information**

- 1) Provide the name of your stable value or cash fund.
- 2) Is the stable value fund structured as a pooled fund, an individually-designed fund, or a mutual fund?
- 3) Are there any minimum deposit requirements for the stable value fund?
- 4) Disclose the most recent quarter-ending, three-year, five-year, and ten-year performance (as of most recent quarter end).
- 5) If you are not proposing a mutual fund, provide a one-page overview along with latest quarterly performance.
- 6) Indicate the expense ratio (disclosing ALL associated expenses) associated with to this fund, as well as the types and amounts of revenue sharing to your company provided by this fund.
- 7) If your firm is proposing a cash fund, what is the current yield net of all fees? If the current yield net of all fees is negative, what measures will your firm take to address potential investor issues with a negative cash yield?
- 8) Describe any restrictions or limitations with regard to timing or amount of transfers from the stable value fund to the investment funds.
- 9) Describe the liquidity of the stable value fund with regard to employer-directed withdrawals, including any termination charges or restrictions.
- 10) Describe the liquidity of the stable value fund with regard to employee-directed withdrawals, including any termination charges or restrictions.
- 11) Describe the investments underlying the stable value fund.
- 12) Disclose the asset allocation of the stable value fund. List Investment Type and percentage allocation:

**N. Investment Fund Information**

- 1) Please provide target date retirement fund or “life cycle” funds. List the fund line up that you would recommend for the plan and the rationale for your selection.
  
- 2) Please also provide an alternative low-cost fund line-up for the plan. The fund line-up should focus on passive investment funds including target retirement date funds that utilize passive investment alternatives. List the funds you propose under this low-cost alternative, their investment categories and describe why a fund of that type should be offered.

In providing fund line-ups under 1 and 2 above, please focus on an investment structure/design that will encourage plan participants to apply a disciplined, long-term approach to strategic investment allocations consistent with the primary plan purpose of providing resources for retirement.

Please describe your recommendations regarding default investments for the fund line-ups in numbers 1 and 2 above. Provide details on the selection or replacement of funds within each option. Detail whether your proposed lineup includes funds from various fund families (open-architecture), or only proprietary funds (closed-architecture). What is the rationale for your selection?

- a) Please identify each of the investment options you propose.
- b) For the options included in your response to “a.” immediately above, please distinguish between passive and active options and in the case of target retirement date or “life cycle” funds, the percentages allocated by asset class.
- c) Please complete the following table for each underlying mutual fund that you propose to include in any of the target retirement date or “life cycle” funds or as an individual mutual fund investment option which you have identified in your response to “a” above.

Fund Name	As Applicable	As Applicable	As Applicable
<b>Ticker</b>			
<b>Share Class of the Fund to be used</b>			
<b>Total Annual Share Class Fees</b>			
<b>Portfolio Manager(s)</b>			

- 3) For each fund listed in numbers 1 and 2, supply the following information:
  - a) What was the fund's market value at December 31, 2009, 2010 and 2011?
  - b) Are daily valuations and daily transactions (e.g., investment transfers) available through the administrative and recordkeeping services?
  - c) Indicate those individuals who have managed the fund during the last five years, the month/year that each left the fund, why each left, and a biography of the current manager(s).
  - d) Indicate the expense ratio or fee schedule for the fund, allocating the total fee to investment management, 12(B)1 fee, and all other. Indicate the total revenue sharing receivable by a plan administrator for each fund (in percent).
  - e) Describe any front-end or deferred sales charges associated with the fund. Are there any conditions under which these charges may be waived?
  - f) Supply calendar quarter and calendar year time-weighted total rates of return for the five-year period ending December 31, 2011. Supply annualized returns for the following periods: one, three, five and 10 (if available) years ending December 31, 2011. Indicate whether these returns are gross or net of fees.
  - g) Supply peer group rankings based on a comprehensive and appropriate peer group. Include as you are able Lipper rankings, Morningstar ratings, and other third-party-related information. Please rank with respect to both performance and risk for the time periods above.
  - h) Please confirm that the fund is currently open for new investors, and state any size limitations that the fund might have that could close it to new investors in the future.
- 4) How does your firm monitor underlying funds for potential performance issues? How would your firm/team communicate with the State of Rhode Island on underlying funds that need replacement due to performance or other issues?
- 5) Please describe how you designed the asset allocation for the target retirement date or “life cycle” fund investment options you have proposed. Please describe in detail the modeling technique used (i.e. Monte Carlo simulation, Mean-Variance analysis, etc). Please describe how you derived your input estimates for the model. How have you integrated the notion of the risks, you outlined in the previous question, within your asset allocation decision?
- 6) Detail the team/personnel involved in the creation of target retirement date or “life cycle” funds and asset allocation decision. Is this a dedicated team, part of a larger department?
- 7) What is your investment target used when designing your target retirement date or “life cycle” funds asset allocation?
- 8) Please indicate how your approach to asset allocation has changed in response to 2008-2010

market volatility (even if your asset allocation has not changed please highlight how your thought process has been impacted).

- 9) Please describe how and when you will rebalance assets in target retirement date or “life cycle” funds.
- 10) Please describe the process by which you evaluate new asset classes for inclusion in target retirement date or “life cycle” funds.
- 11) Describe your due diligence processes for investment managers, both on a portfolio management and operational risk basis.
- 12) How do you monitor the underlying funds adherence to their investment style and process?
- 13) What was the last major change that was made to the asset allocation/structure of the target retirement date funds and why?
- 14) Describe the lines of communication between the proposed team servicing the State of Rhode Island, the team responsible for construction of the target retirement date funds (asset allocation) and investment managers for the underlying funds.
- 15) Would the State of Rhode Island have access to the investment managers to address performance issues?
- 16) Provide the name, title, address, telephone, e-mail, and fax numbers of the contact person from your company whom we may contact with questions regarding the investment options you have proposed.
- 17) What is your policy regarding notifying and offering lower cost funds when the plan becomes eligible for them?
- 18) Describe all requirements, in detail, that restrict investment flexibility with regard to the number, type or dollar amount of investments required to be invested in proprietary vs. non-proprietary funds.
- 19) Can you accommodate and calculate NAVs for:

Separate accounts? \_\_\_\_ Yes \_\_\_\_ No

Fund of funds? \_\_\_\_ Yes \_\_\_\_ No

Daily expense accruals? \_\_\_\_ Yes \_\_\_\_ No

If Yes to A, B and/or C, please provide additional details.

20) Can you default contributions/loan repayments to lifecycle or retirement date funds based on participant age?

\_\_\_\_ Yes \_\_\_\_ No

21) If so, please provide specific requirements to set up this feature and any associated cost.

22) Do you have an alliance with any firms to provide investment guidance, advice or managed accounts? If so, please describe the relationship.

23) How is the information from the recordkeeping system transmitted to the investment firm or vice versa?

Electronically \_\_\_\_

Manually \_\_\_\_

Other (specify) \_\_\_\_

24) Can participants automatically execute the recommendations?

\_\_\_\_ Yes \_\_\_\_ No

25) Indicate the delivery vehicles available to the participants to obtain investment guidance/advice. Provide any additional cost in the Expense Information section.

	Yes	No	Comments
Phone assistance			
Web assistance			
One-on-one			
Employee meetings			
Other			

26) Provide your policies on excessive / late trading and redemption fees, and procedures to monitor these transactions and to enforce the policy guidelines.

- 27) Recommend limitations on the annual number of permissible investment changes by participants that would be consistent with the plan's purpose to promote long-term strategic investment allocations.
- 28) Describe your policy on fee disclosures to State of Rhode Islands and participants. Provide detail on revenue sharing information for the suggested fund line-up.
- 29) Will you provide reports of actual revenue received for plan administration services? Please describe the frequency? If not, please provide an explanation.
- 30) Explain all conditions, stipulations, and requirements regarding transfers among the investment funds and from the investment funds to the stable value fund/guaranteed account.
- 31) Is same day settlement provided for each fund? If no, what is the settlement period for each fund?
- 32) Are there any surrender or withdrawal charges or restrictions associated with the proposed investment funds? Describe in detail.
- 33) Identify any redemption fees associated with the proposed investment funds and under what circumstances those redemption fees would be waived.
- 34) Describe any other restrictions, 12-b1 fees, front end loads, etc?
- 35) Describe your company's process to assist the State of Rhode Island with performance monitoring of the investments offered, including the frequency of reporting, description of information provided, process to change funds if warranted, and level of input available to the State of Rhode Island.

**O. Expenses and Performance Guarantees**

- 1) Please outline your company’s comprehensive fee proposal, and any assumptions on which the fee is based, for the State of Rhode Island.
  - 2) What revenue does your company expect to receive from the recommended fund line-ups? You should assume that annual contributions to the plan will be in the \$100 - \$150 million range and within five (5) years the plan will have approximately \$750 million in assets.
  - 3) Indicate how your organization would propose to assess the above-identified fees over a five-year period. If there are any additional fees, please identify and describe how the charge would be assessed.
  - 4) Itemize any costs that would be applicable to the plans under your organization’s proposal.
- Note: Separate pricing, where appropriate, for the different pricing options itemized below.

Item	Proposed Fees
<b>Implementation, one-time charges</b>	
Recordkeeping setup/conversion	
Other (identify):	
<b>Plan Administration</b>	
Automatic enrollment	
QDRO administration	
QDRO qualification	
Determination of hardship eligibility	
Distributions and benefit payments (identify if different cost for periodic payments than for lump sum payments)	
Other (identify):	
<b>Loan Fees</b>	
Loan initiation	
Loan maintenance	
Other (identify):	
<b>Investment Guidance/Advice and Managed Accounts</b>	
Investment guidance/advice fees	

Item	Proposed Fees
Managed Accounts	
Other (identify):	
<b>Other</b>	
Self-directed mutual fund window fees	
Identify any and all other itemized fees your company will assess :	
Other (identify):	

- 5) Disclose the period of time for which the proposed fees are guaranteed.
- 6) List all assumptions used in determining the pricing contained in this proposal.
- 7) Describe the fee disclosures your company would provide to participants. Provide samples. How is revenue sharing to your company addressed in these disclosures?
- 8) How do you ensure that the pricing for State of Rhode Island stays competitive and what type of enhancements that could be available?
- 9) Describe your company's philosophy with regard to guaranteeing performance for a plan sponsor. Are performance guarantees routinely included in your service contracts? Do these guarantees put fees at risk?
- 10) Please provide your standard performance guarantees.
- 11) To the extent staff of the General Treasurer's Office is required to assist with the administration of the plan and/or the state incurs other expenses with respect to the plan, what mechanisms can you suggest to provide reimbursement to the state for these expenses?
- 12) Please describe whether municipalities or other government employers not covered by the state's defined contribution plan that may establish a separate defined contribution plan will be permitted to utilize your services under this RFP under the same terms and conditions provided to the State of Rhode Island.

**P. Fees and Charges**

Please explain how your firm will be compensated , including whether the compensation will be in a fixed dollar charge or basis points per account, and whether there will be one, all-in fee or different fees for different services. Depending upon your approach, please complete the applicable column(s) in the following table. Additionally, if applicable, please add a row to the table showing an "all in" fee and explain the basis for this fee.

Service	\$ Per Account	Basis Points (%)	Other
Program Administration			
Customer Service and Recordkeeping			
Investment Management			
Other			

Explain how the fee will change as the assets grow; provide breakpoints if possible.

Please disclose if you are receiving fees from any of the external service providers you propose to use.

**SECTION 9.** Title 36 of the General Laws entitled "PUBLIC OFFICERS ANDEMPLOYEES" is hereby amended by adding thereto the following chapter:

**CHAPTER 10.3  
DEFINED CONTRIBUTION RETIREMENT PLAN**

**36-10.3-1. Definitions.** – As used in this chapter, the following terms, unless the context requires a different interpretation, shall have the following meanings:

- (1) "Compensation" means compensation as defined in section 36-8-1(8).
- (2) "Employee" means an employee as defined in section 36-8-1(9) effective July 1, 2012.
- (3) "Employer" means the State of Rhode Island or the local municipality which employs a member of the Employees Retirement System under chapters 8 through 10 of title 36 or chapter 16 of title 16 (ERS) or the Municipal Employees Retirement System under chapters 21 and 21.2 of title 45 (MERS).
- (4) "Plan" means the retirement plan established by this chapter.
- (5) A "public safety member" shall mean a member of MERS who is a municipal fire fighter or a municipal policeman or policewoman as defined in section 45-21.2-2 who does not participate in Social Security under the Federal Old Age, Survivors, and Disability income program.
- (6) "Regular member" means: (i) An employee who is a member of ERS other than correctional officers as defined in section 36-10-9.2; or (ii) A member of MERS other than a public safety member.
- (7) The "retirement board" or "board" shall mean the retirement board of the Employees Retirement System of Rhode Island as defined in Chapter 36-8. The retirement board shall be the plan administrator and plan trustee and shall administer the plan in accordance with section 36-8-4.1.
- (8) "State investment commission" or "commission" means the state investment commission as defined in section 35-10-1.
- (9) "Supplemental employer" includes any employer that provides supplemental contributions to the defined contribution retirement plan as provided in section 36-10.3-3.

(10) “Supplemental member” is defined in section 36-10.3-3.

**36-10.3-2. Establishment.** – (1) A defined contribution retirement plan is established for members of the of the Employees’ Retirement System of Rhode Island (ERS) and the Municipal Employees’ Retirement System of Rhode Island (MERS).

(2) The defined contribution retirement plan is a plan in which retirement savings are accumulated in an individual account for the exclusive benefit of the member or beneficiaries. The plan is established effective July 1, 2012, at which time contributions by employers and members begin.

(3) The defined contribution plan established by this chapter is intended to qualify under 26 U.S.C. 401(a), 414(d), and 414(k) (Internal Revenue Code) in effect from time to time as a qualified governmental retirement plan established and maintained by the state for its employees, for the employees of participating political subdivisions, public corporations, and public organizations of the state, and for the employees of other employers whose participation is authorized by this chapter.

(4) (a) *Exclusive benefit.* All funds of the plan shall be held in one or more trusts, in one or more custodial accounts treated as trusts in accordance with section 401(f) of the Internal Revenue Code, or in a combination thereof. Under any trust or custodial account, it shall be impossible at any time prior to the satisfaction of all liabilities with respect to employees and their beneficiaries, for any part of the corpus or income to be used for, or diverted to, purposes other than the payment of retirement savings benefits to employees and their beneficiaries. However, this requirement shall not prohibit: (i) The return of a contribution within six (6) months after the plan administrator determines that the contribution was made by a mistake of fact; or (ii) The payment of expenses of the plan in accordance with applicable law.

(b) *Vesting on plan termination.* In the event of the termination (within the meaning of the Internal Revenue Code) of the plan, the amounts credited to members’ accounts shall become fully and immediately vested.

(c) *Forfeitures.* Amounts forfeited by an employee shall not be applied to increase the benefits of any other employee, and shall reduce employer contributions as shall be set forth in the plan document.

(d) *Required distributions.* In no event shall a member receive contributions in any year that exceed the limitation set forth in section 415(c) of the Internal Revenue Code.

(e) *Limitation on benefits.* Benefits shall not be payable to the extent that they exceed the limitations imposed by section 415 of the Internal Revenue Code, 26 U.S.C. section 415, as adjusted from time to time pursuant to section 415(d) of the Internal Revenue Code. In no event shall the member receive a retirement benefit in any year that exceeds the limitations set forth in section 415(b) of the Internal Revenue Code.

(f) *Limitation on compensation.* Benefits and contributions shall not be computed with reference to any compensation that exceeds the maximum dollar amount permitted by section 401(a)(17) of the Internal Revenue Code as adjusted for increases in the cost-of-living.

(5) The state investment commission shall select an appropriate third-party administrator for the plan and shall adopt such plan, trust and/or custodial documents, with such features and attributes as the commission determines necessary or advisable in its discretion to effectuate the provisions of this chapter in accordance with the following:

(a) The commission shall select one or more firm(s) or company(ies) to provide retirement plan investment, plan administration, and communication services to employees who participate in the defined contribution plan. The plan shall provide for appropriate long-term retirement oriented investments, and shall include annuity or annuity-like options as determined by the commission. In determining the firm or the company to provide these plan services, the commission shall consider all of the following:

(i) The financial stability of the company or firm.  
(ii) The cost of the investments, plan administration, and services to the members.  
(iii) The experience of the company or firm in providing defined contribution retirement plans.

(iv) The experience of the company or firm in providing plan education, counseling, and advice to participants of defined contribution plans.

(v) Any criminal convictions, securities or antitrust law violations, material civil or regulatory fines or judgments against the company or firm which the company or firm shall be required to disclose to the commission as part of the selection process.

(b) The defined contribution retirement plan shall include an option that any disbursement of the accumulated assets in a participant's defined contribution plan account or accounts may be made as a life annuity. The defined contribution retirement plan may offer participants a menu of lifetime annuity options, either fixed or variable, or a combination of both.

(c) Accumulations in the defined contribution plan are intended to be for retirement

purposes and loans or hardship distribution options permitted under the plan, if any, shall be structured for the primary purpose of this plan to support members in their retirement.

(d) The plan shall provide education, counseling and objective employee-specific plan advice to employees.

(e) The plan shall include a limited number of investment options which shall include either: (i) Investment portfolio options that are constructed to reflect different risk profiles such as conservative, moderate and aggressive; and/or (ii) Options constructed to reflect different risk profiles that automatically reallocate and rebalance contributions as an employee ages.

**36-10.3-3. Supplemental participation for local public employers.** – Employers that include job positions, other than public safety positions, that do not participate in Social Security under the Federal Old Age, Survivors and Disability Income program, but which currently contribute to ERS or MERS on behalf of such positions, shall make supplemental contributions to the plan on behalf of regular members in such positions as a supplemental employer in accordance with subsection 36-10.3-6(a). A supplemental employer may request a different level of supplemental contributions in accordance with subsection 36-10.3-6(b) by an ordinance or resolution of its governing body. A regular member in such positions shall be referred to as a “supplemental member” in section 36-10.3-6.

**36-10.3-4. Member contributions.** – (1) Each regular member shall contribute to the member's individual account in the plan an amount equal to five percent (5%) of the member's compensation from July 1 to the following June 30.

(2) Each public safety member not participating in Social Security under the Federal Old Age, Survivors and Disability Income program, shall contribute to the member’s individual account an amount equal to three percent (3%) of the member’s compensation from July 1 to the following June 30.

(3) Contributions by supplemental members shall be governed by section 36-10.3-6.

(4) The employer shall deduct the contribution from the member’s compensation at the end of each payroll period, and the contribution shall be credited by the plan to the member’s individual account. The contributions shall be deducted from the member’s compensation before the computation of applicable federal taxes and shall be treated as employer contributions under 26 U.S.C. 414(h)(2). A member shall not have the option of making the payroll deduction directly

in cash instead of having the contribution picked up by the employer.

(5) Contributions of employees shall be made by payroll deductions. Every member shall be considered to consent to payroll deductions. It is of no consequence that a payroll deduction may cause the compensation paid in cash to an employee to be reduced below the minimum required by law. Payment of an employee's compensation, less payroll deductions, is a full and complete discharge and satisfaction of all claims and demands by the employee relating to remuneration of services during the period covered by the payment, except with respect to the benefits provided under the plan.

(6) Additional voluntary member contributions may be permitted in accordance with this section in such manner as determined in the discretion of the commission.

**36-10.3-5. Employer contributions.** – (1) An employer shall contribute to each regular member's individual account an amount equal to one percent (1%) of the member's compensation at the end of each payroll period from July 1 to the following June 30.

(2) An employer shall contribute to the individual account of each public safety member, not participating in Social Security under the Federal Old Age, Survivors and Disability Income program, an amount equal to three percent (3%) of the member's compensation from July 1 to the following June 30.

(3) Contributions by supplemental employers shall be governed by section 36-10.3-6.

**36-10.3-6. Supplemental employer and member contributions.** – (a) A supplemental member shall contribute to the member's individual account an amount equal to two percent (2%) of the member's compensation from July 1 to the following June 30 in addition to the requirements of section 36-10.3-4. For such members, a supplemental employer shall contribute to the member's individual account an amount equal to two percent (2%) of the member's compensation from July 1 to the following June 30 in addition to the requirements of section 36-10.3-5.

(b) A supplemental employer may request a different level of supplemental member contributions and supplemental employer contributions subject to the approval of the state investment commission.

**36-10.3-7. Vesting of contributions.** – (1) The total amount contributed by the member,

including associated investment gains and losses, shall immediately vest in the member and is non-forfeitable.

(2) The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is nonforfeitable upon completion of three (3) years of contributory service. Service credited under ERS or MERS prior to the effective date of this plan shall be credited to members for vesting purposes.

**36-10.3-8. Investments.** – The state investment commission shall determine from time to time the investment options available under the plan and a member may direct his or her account among the investment options offered under the plan pursuant to the plan documents.

**36-10.3-9. Distributions.** – The plan documents shall specify the distribution options available under the plan which shall include a lump sum and rollover distribution option, and may include such installment, annuity, hardship, loan or death benefit options as determined by the state investment commission in its discretion subject to section 36-10.3-2(5).

**36-10.3-10. Rollover contributions and distributions.** – (1) An employee entering the plan may elect, at the time and in the manner prescribed by the administrator, to have all or part of a direct rollover distribution from an eligible retirement plan owned by the member paid directly into the member's individual account.

(2) Rollover contributions do not count as a purchase of membership service for the purpose of determining years of service.

(3) A distributee may elect, at the time and in the manner prescribed by the administrator, to have all or part of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in the direct rollover.

(4) In this section:

(a) "Direct rollover" means the payment of an eligible rollover distribution by the plan to an eligible retirement plan specified by a distributee who is eligible to elect a direct rollover;

(b) "Distributee" means a member, or a beneficiary who is the surviving spouse or domestic partner of the member, or an alternate payee:

(c) "Eligible retirement plan" means:

(i) An individual retirement account described in 26 U.S.C. 408(d)(3)(A);

- (ii) An annuity plan described in 26 U.S.C. 403(a);
  - (iii) A qualified trust described in 26 U.S.C. 401(a);
  - (iv) An annuity plan described in 26 U.S.C. 403(b);
  - (v) A governmental plan described in 26 U.S.C. 457(b);
  - (vi) An individual retirement annuity defined in 26 U.S.C. 408(b); or
  - (vii) On or after January 1, 2008, a Roth IRA described in 26 U.S.C. 408A;
- (d) "Eligible rollover distribution" means a distribution of all or part of a total account to

a distributee, except for:

(i) A distribution that is one of a series of substantially equal installments payable not less frequently than annually over the life expectancy of the distributee or the joint and last survivor life expectancy of the distributee and the distributee's designated beneficiary, as defined in 26 U.S.C. 401(a)(9);

(ii) A distribution that is one of a series of substantially equal installments payable not less frequently than annually over a specified period of ten (10) years or more;

(iii) A distribution that is required under 26 U.S.C. 401(a)(9);

(iv) The portion of any distribution that is not includable in gross income; however, a portion under this paragraph may be transferred only to an individual retirement account or annuity described in 26 U.S.C. 408(a) or (b), to a qualified plan described in 26 U.S.C. 401(a) or 403(a), or to an annuity contract described in 26 U.S.C. 403(b), that agrees to separately account for amounts transferred, including separately accounting for the portion of the distribution that is includable in gross income and the portion of the distribution that is not includable in gross income; and

(v) Other distributions that are reasonably expected to total less than two hundred dollars (\$200) during a year.

**36-10.3-11. Annual report and statement.** – The retirement board shall submit to the governor, the general treasurer, the auditor general, the speaker of the house of representatives and the president of the senate, on or before the first day of December of each fiscal year, an annual report including a financial statement of the plan for the fiscal year of the state next preceding said date. The retirement board shall cause to be published for distribution among the members of the system a financial statement summarizing the results of operations for the fiscal year. The report and financial statement shall also be posted electronically on the retirement

board's website.

**36-10.3-12. Severability.** – The holding of any section or sections or parts hereof to be void, ineffective, or unconstitutional for any cause shall not be deemed to affect any other section or part hereof.

**Exhibit B**

