

REQUEST FOR PROPOSAL (RFP)

**RECORD KEEPING OF 457(B) DEFERRED COMPENSATION, 401(A) DEFINED CONTRIBUTION, AND 457(B) PART-TIME PLANS AND TRUST FOR THE CITY OF STOCKTON, CALIFORNIA (PUR 22-004)**

ADDENDUM No. 1

DATE: 04/07/2022

To All Potential Proponents:

**A. This Addendum shall be considered part of the proposal documents for the above-mentioned project as though it had been issued at the same time and shall be incorporated integrally therewith. Where provisions of the following supplementary data differ from those of the original proposal documents, this Addendum shall govern and take precedence. PROPONENTS MUST SIGN THE ADDENDUM AND SUBMIT IT WITH THEIR PROPOSALS.**

**B. Proponents are hereby notified that they shall make any necessary adjustments in their estimates as a result of this Addendum. It will be construed that each Proponent's Proposal is submitted with full knowledge of all modifications and supplemental data specified herein.**

**PLEASE NOTE THE FOLLOWING QUESTIONS/ANSWERS/CHANGES TO (PUR 22-004). THE CITY'S RESPONSES TO QUESTIONS SUBMITTED ARE IN BLUE**

**Questions & Answers**

There were many duplicate questions asked related to the proposal. We have included every question asked and grouped the questions and answers into like categories for ease of response and to remove duplication of answers.

**Question 1 is all related to the Fixed Account/Stable Value.**

**Q-1a.** Can you please confirm the current crediting rate of the fixed account?

**Q-1b.** What are the record keeping expenses and interest crediting rates of the SV/Fixed investment in the current plan?

**Q-1c.** Please provide the current credited rate for the fixed account investment option currently offered under the plan. Please indicate if the credited rate is net of fees.

**Q-1d.** Can you please describe the current fixed account or stable value options offered by the provider(s)? Please include current crediting rates, minimum guarantees, withdrawal restrictions, market value adjustments, surrender charges, required put notices or any other encumbrance to liquidation.

**Q-1e.** What is the current crediting rate of the fixed account(s)?

**A-1(a-e).** The current guaranteed product in the plan is an insurance general account fixed account product. The termination provision includes a 2-way MVA. The MVA, as provided in the RFP was 100% as of 3/7/22. The intent is to exercise the MVA provision if this investment option is terminated. The MVA changes on a periodic basis, but as instructed, please assume a 100% payout at termination for the purposes of your proposal. The current crediting rate is not relevant to your response, but the net rate has always been greater than 2.00% for the 457(b) and 401(a) plans.

**Q-1f.** What has been the allocation to the fixed account for the contributions to the 457(b) Deferred Comp plan over the past couple of years?

**Q-1g.** Please provide a minimum of four years of the Stable Value fund cash flow history, including contributions, withdrawals, transfers in and transfers out?

**Q-1h.** Please provide the asset demographic data for the Stable Value fund broken down by ages (10-year increments, if possible) as well as by active versus inactive (terminated/retired employees)

**A-1(f-h).** Please see the charts below:

Year	Contributions	Withdrawals	Net Transfers	Ending Balance
2017	\$2,810,042	\$7,582,720	\$ 1,353,527	\$67,906,310
2018	\$2,093,664	\$5,418,270	\$ 1,972,126	\$68,474,476
2019	\$1,969,830	\$6,790,194	\$ 2,420,069	\$69,272,597
2020	\$2,051,784	\$4,902,098	\$ 9,644,461	\$78,079,594
2021	\$1,773,096	\$8,643,933	\$ 2,630,048	\$77,071,500

Age Range	# of Active Participants	# of Inactive Participants	Total # Participants	\$ Stable Value Balance Active Participants	\$ Stable Value Balance In-Active Participants	Total \$ Balance as of 12/31/2021
<30	194	64	258	\$346,057	\$96,031	\$442,088
30 - 39	189	134	323	\$964,969	\$343,769	\$1,308,738
40 - 49	213	118	331	\$4,313,386	\$1,570,245	\$5,883,631
50 - 59	237	178	415	\$11,623,137	\$12,728,677	\$24,351,814
60 >	241	406	647	\$12,695,565	\$32,389,664	\$45,085,229
Total	1,074	900	1,974	\$29,943,114	\$47,128,386	\$77,071,500

**Q-2a.** What are the current fees associated with plan administration and recordkeeping for the 457(b) plan, the OBRA plan, and the 401(a) plan?

**Q-2b.** Can you please describe the current pricing structure, (e.g. asset based, per participant, a combination of both)? Can you please provide any additional details regarding the current price?

**A-2.** The current fee amounts are not relevant to your proposal. The current structure is an asset-based fee on all assets including the Stable Value option. Please provide your proposal as requested in the RFP.

**Q-3a.** Can you please provide a copy of the Current investment lineup with assets by fund.

**Q-3b.** Please provide the current asset allocation.

**A-3.** The current line-up is not relevant to your proposal other than the allocation between the fixed/stable value offering and the mutual funds and this has been provided via the RFP. The RFP requires a 100% open architecture mutual fund line-up. All investments offered in the plan will be institutional mutual funds with no 12b-1 or other similar types of record keeping or administrative reimbursements allowed. If, due to unique circumstances, a mutual fund was generating this type of record keeping revenue, all revenue must be returned to the participant invested in that particular fund. A general return to all plan participants is not allowed.

**Q-4.** If custom portfolios are currently offered in the investment lineup, can you please provide a breakdown of the underlying investments in each portfolio? If currently offered, is there a fixed/stable value component with liquidity restrictions in any of the portfolios? Further, if liquidity restrictions exist, is there a fully liquid/cash component of the portfolio that can be used for daily transactions?

**A-4.** Custom portfolios are currently not offered in the plan. An institutionally priced target date family of funds is utilized as the asset allocation offering. However, if custom portfolios were to be offered in the future, 100% liquidity of the allocation (if any) to the stable value/fixed account would be required.

**Q-5a.** Why were the withdrawals so high in 2021? (over \$19 M in comparison to less than \$3 M for the past several years)

**Q-5b.** We noted the 2021 withdrawals from the 457(b) deferred compensation plan were nearly 7x that of 2020 and 2019. Assuming that 2021 was an anomaly, can the City provide any details regarding the significant increase in withdrawals that occurred?

**Q-5c.** Please provide additional information on the negative cash flow in 2021. Is it expected to continue going forward?

**A-5.** The withdrawal figures and net cash flow amounts have been updated back to 2018 based on corrected data provided by the current record keeper.

➤ **IMPORTANT NOTE: The section at the end of this document replaces the “Plan Statistics and Information” Section of the RFP.**

**Q-6.** Have the withdrawals been trending this high so far in 2022?

**A-6.** As of April 4, 2022, withdrawals in the 457, OBRA, and 401(a) plans have been \$4,420,876, \$73,651, and \$44,432 respectively.

**Q-7.** Why are the contributions so low in comparison to the average account balances?

**A-7.** Average account balances include the accounts of retirees who generally have significantly higher balances than current employees.

**Q-8.** How much of the assets represent terminated participants in each of the plans?

**A-8.** As of 12/31/2021, assets held by terminated participants in the 457, OBRA, and 401(a) plans were \$131,827,734, \$1,177,728, and \$1,158,463 respectively.

**Q-9.** Are target date funds being used? If so can you provide the amount of assets in TDF's?

**A-9.** Yes target date funds are being used. The total assets in the TDFs were \$20,062,584 as of 12/31/2021.

**Q-10.** What is the QDIA?

**A-10.** The Target Date Fund series will be the QDIA.

**Q-11.** The RFP states “some overnight delivery services do not deliver directly to the City Clerk's Office. This could result in the proposal arriving in the City Clerk's Office after the proposal opening deadline and therefore not being accepted.” Can you verify which overnight service we can use that will deliver to the City Clerk's Office?

**A-11.** The City has no recommendations or verification of overnight services for proposal delivery.

**Q-12a.** Section 4.1: Please confirm the hard copy submission is to include one unbound original and one bound copy.

**Q-12b.** The RFP states “The original should be unbound to allow us to reproduce your proposal, as needed”, but also states “The proposal must bound in a secure manner”. Can you verify if the hard copy is supposed to be bound or unbound?

**A-12.** Please provide the original respond unbound but in a secure package (ex. sealed envelope). Please also provide one bound copy in the same package. Please also provide an electronic copy of the response as directed in the RFP.

**Q-13a.** Can you provide a copy of the most recent plan document?

**Q-13b.** Please provide a copy of the plan document for each plan. Please include both the adoption agreement and base plan documents, as applicable.

**Q-13c.** Please provide a copy of:

- a) 457(b) Adoption Agreement
- b) 457(b) PST Adoption Agreement
- c) 401(a) Plan Document
- d) 401(a) Adoption Agreement

**Q-13d.** Please provide any loan provisions in the 401(a) plan.

**A-13.** The plan documents will be provided to the selected proponent at the time of conversion. The 401(a) plan document has been updated via the cycle 3 restatement. The 457(b) and 457(b) Part-Time plan documents are custom documents and contain standard 457(b) plan language. All plans must be restated on the winning proponents standard plan documents at no cost to the City, plan, or plan participants.

**Q-14a.** Does the current administrator provide 2 days weekly of on-site service for participants?

**Q-14b.** Is having a local representative available on site 2 days per week a minimum requirement to submit a proposal?

**Q-14c.** How many MassMutual(Empower) participant education representatives are assigned to the City?

**Q-14d.** Please confirm the desired annual onsite education minimum commitment – once per week (as outlined in Performance Standards) or twice per week (as outlined in general information).

**Q-14e.** Is the consultant also acting as the educational advisor?

**A-14.** The record keeper is required to provide participant education as outlined in the RFP – a minimum of 2-days on site per week. We understand that with the COVID protocols, that this may not be currently possible, but it will be required when all protocols are lifted. The current record keeper provides one dedicated local representative for the City’s employees. The consultant is also the fiduciary investment provider and also provides on-site and virtual participant education as a supplement to the services provided by the record keeper.

**Q-15.** Are there multiple worksite locations where onsite education need to be delivered at? If so, please provide:

**A-15.**

- a. The total number of locations where onsite education is to be provided
  - a. 29 locations, 9 receive regular service. 20 are provided “as needed/requested”
- b. The physical address for each location.
  - a. HR/Admin Building – 400 E Main Street
  - b. Police - 22 East Market Street
  - c. Police – 22 East Weber Street

- d. Public Works – 22 East Weber Street
  - e. Corp Yard- 1465 South Lincoln Street
  - f. MUD – 2500 Navy Drive
  - g. Delta Water – 11373 N. Lower Sacramento Drive
  - h. Permit Department – 346 North El Dorado Street
  - i. City Hall – 425 North El Dorado Street
  - j. 8 Library locations
  - k. 12 Fire Departments
- c. The employee count at each location.
- a. HR/Admin - 140
  - b. Police – 633
  - c. Public Works – 150
  - d. Water utility related - 200
  - e. City Hall – 100
  - f. Fire Departments - 205

**Q-16.** Does your current vendor offer financial planning services today? If so, what fees are charged?

**A-16.** Individual on-site financial planning services are not provided. The City is interested in any proposal but would require that any cost related to the financial planning services be bore only by the individual participant requesting the services.

**Q-17a.** Does the plan sponsor want a managed account program to be added as an option to the plan?

**Q-17b.** What are the current fees on managed accounts?

**A-17.** Managed Accounts are currently not offered. The plan sponsor is open to adding a managed account program.

**Q-18.** Which brokerage firm are the existing self-directed brokerage accounts (SDBA) held at? Please indicate the types of investments available under the existing accounts.

**A-18.** Charles Schwab is the SDBA partner and the investment menu is open to all investments allowed by Charles Schwab (taxable mutual funds, equities, limited partnerships, taxable fixed income, treasuries, and ETFs).

**Q-19.** Do any of the plans include individual life insurance policies?

**A-19.** There are no life insurance policies.

**Q-20.** Section 6.7: Does the City pay for the expenses associated with the recordkeeping of the plan or are these expenses deducted from participant accounts?

**A-20.** All record keeping expenses are paid for by the plan via deduction from participant accounts.

**Q-21.** Does the City or the plan(s) receive financial reimbursements from the current provider? If so, please describe the amount and frequency and whether the City intends to recapture such a reimbursement in the future.

**A-21.** The City will not receive any financial reimbursement from the record keeper. The expense of the plan consultant and investment advisor will be paid directly from the record keeper to the investment advisor. Any possible miscellaneous administrative charges will also be deducted from participant accounts. The current process is for the amount to be sent to the City and the City then pays the advisor, but this will no longer be the case once the new plan structure is implemented.

**Q-22.** Do the total plan asset figures provided include or exclude amounts held in self-directed brokerage accounts?

**A-22. Include.**

**Q-23.** Please confirm whether one-time events such as individual rollovers into the plan are included in the contribution amounts provided.

**A-23. Yes, confirmed.**

**Q-24.** Please provide the total number of new loans processed in 2021.

**A-24. 45 new loans were processed in 2021.**

**Q-25a.** Should vendors assume that the majority of the participants in the 401(a) plan also have an account under the 457(b) Deferred Compensation plan?

**Q-25b.** What is the number of participants who have multiple accounts between the 401 and 457 plans?

**Q-25c.** Please provide the number of unique participants and any overlap across plans.

**A-25. The 457 Plan had 2,551 unique participants on 12/31/2021.**

**Q-26a.** Please provide the number of inactive participant accounts with a balance between \$1k and \$5k? Does the plan(s) have a provision allowing the City for proactively force out such low account balances to an employer rollover IRA?

**Q-26b.** Does the City currently have a de minimis (small account) force-out on the OBRA plan in which they automatically distribute account balances under a specified amount? Would the City be open to such a provision?

**A-26. The number of inactive participant accounts with a balance between \$1k and \$5k in the 457, OBRA, and 401(a) plans on 12/31/2021 is 121, 212, and 1 respectively. The 457(b) and 401(a) plans do not currently have the ability for de minimis amount distributions. The 457(b) Part-Time plan does have the option but it has not been exercised. A discussion and decision about de minimis amount distributions will be part of the plan restatement and plan provisions discussion.**

**Q-27a.** What are some operational challenges the City is seeking to address? Are there manual processes currently in place?

**Q-27b.** Are there any additional administrative tasks that the City would like for the provider to assume?

**A-27. Overall, the City is interested in automating as many activities and procedures as possible as a result of this RFP. Automation must include: payroll feedback file, on-line enrollment, on-line contribution rate change (regulatory requirement of effective after the 1<sup>st</sup> of the month following the month in which the change is requested must be adhered to for all enrollment and contribution changes), record keeper administration of loan requests, loan repayments via payroll deduction, record keeper administration of unforeseeable emergency/hardship requests, termination tracking and administration of distributions for terminated participants, QDRO determination and processing, QBAD distributions, and any other additional services that can be administered by the record keeper.**

- Q-28.** Does the plan have existing issues with its current provider? Is it looking to make a change of administrator?  
**A-28.** **The City is currently satisfied with the current record keeper, however the City will do what is in the best interest of plan participants as it relates to the selection of the record keeper.**
- Q-29.** Will participants' current email addresses be provided by the City or you're existing recordkeeper?  
**A-29.** **Any email addresses known will be provided by existing record keeper.**
- Q-30.** Does the City sponsor a RHS or HRA plan as referenced in section 4? If so, would the City desire a fee quote on that plan as part of this RFP process?  
**A-30.** **The City does not sponsor and is currently not interested in sponsoring an RHS or HRA plan, however please provide the information requested in as it relates to the relative experience in the public sector of the proponent.**
- Q-31.** Section 7.9: Will a City of Stockton Business license be required for this project?  
**A-31.** **See section 7.9 Licensing Requirements in the solicitation for Business License information or email [bl@stocktonca.gov](mailto:bl@stocktonca.gov) .**
- Q-32.** Can you please provide the current percentage of participants utilizing e-delivery of statements, if applicable?  
**A-32.** **Paper statements is currently the plan level default. 17% of participants actively selected electronic statement delivery.**
- Q-33.** If the City retains their current administrator (Empower), will they move to the Empower recordkeeping platform or stay with Mass Mutual's?  
**A-33.** **Our understanding is that the plan will move to the Empower record keeping platform as the MassMutual platform will be shut down during the second half of 2022.**
- Q-34.** Will the City require a certain number of plan review meetings with its administrator going forward?  
**A-34.** **Yes, the record keeper will be required to attend and present a full detailed demographic review of the prior 12-months at a minimum annually. The meeting is also to include participant communication and education strategies. The review is not to include investment information and/or recommendations – those are managed by the fiduciary investment advisor.**

**IMPORTANT NOTE: THE ANNUAL WITHDRAWAL STATISTICS FOR ALL YEARS HAVE BEEN CORRECTED BY THE CURRENT RECORD KEEPER. THE CHANGES IMPACT THE ANNUAL WITHDRAWAL AMOUNTS AND THE NET CASH FLOW. THE UPDATED STATISTICS ARE PROVIDED ON THE FOLLOWING PAGE. THE FOLLOWING SECTION REPLACES THE PLAN STATISTICS AND INFORMATION SECTION OF THE RFP.**

Plan Statistics and Information				
Plan	2018	2019	2020	2021
<b>457(b) - Plan 1</b>				
Assets	\$185,345,665	\$214,838,179	\$251,068,504	\$270,388,513
Variable	\$121,364,527	\$150,208,288	\$177,750,634	\$197,962,427
Fixed	\$63,981,138	\$64,632,096	\$73,299,797	\$72,426,086
Contributions	\$8,436,548	\$8,984,084	\$7,072,133	\$7,046,048
Withdrawals	\$9,700,586	\$12,447,430	\$13,486,470	\$15,917,549
Net Cash Flow	-\$1,264,038	-\$3,463,346	-\$6,414,337	-\$8,871,501
Participants - Active (Contributing)	1323	1361	1347	1159
Participants - Active (non-Contributing)	532	566	184	184
Participants - Terminated w/ Balance	395	439	1057	1267
Participants - Total	2250	2366	2588	2610
Total Loans	338	327	296	264
Total Loan Assets	\$4,659,755	\$4,602,283	\$4,093,858	\$3,293,675
Total Parts in SDBO	2	3	3	5
Total Assets in SDBO	\$161,165	\$120,314	\$88,020	\$275,815
Total Parts in Managed Accounts	N/A	N/A	N/A	N/A
Total Assets in Managed Accounts	N/A	N/A	N/A	N/A
<b>457(b) PTS-OBRA - Plan 2</b>				
Assets	\$3,390,608	\$3,562,170	\$3,489,460	\$3,454,375
Variable	\$0	\$0	\$0	\$0
Fixed	\$3,390,608	\$3,562,170	\$3,489,460	\$3,454,375
Contributions	\$392,388	\$442,666	\$354,011	\$380,491
Withdrawals	\$456,318	\$173,129	\$157,373	\$435,673
Net Cash Flow	-\$63,930	\$269,537	\$196,638	-\$55,182
Participants - Active (Contributing)	474	511	460	302
Participants - Active (non-Contributing)	54	51	99	128
Participants - Terminated w/ Balance	136	154	250	380
Participants - Total	664	716	809	810
Total Loans	0	0	0	0
Total Loan Assets	0	0	0	0
Total Parts in SDBO	N/A	N/A	N/A	N/A
Total Assets in SDBO	N/A	N/A	N/A	N/A
Total Parts in Managed Accounts	N/A	N/A	N/A	N/A
Total Assets in Managed Accounts	N/A	N/A	N/A	N/A
<b>401(a)-Plan 3</b>				
Assets	\$2,908,475	\$3,393,092	\$3,689,531	\$3,984,406
Variable	\$1,805,745	\$2,314,761	\$2,399,197	\$2,793,367
Fixed	\$1,102,730	\$1,078,331	\$1,290,337	\$1,191,039
Contributions	\$54,000	\$45,640	\$39,614	\$40,490
Withdrawals	\$45,489	\$95,922	\$260,644	\$132,560
Net Cash Flow	\$8,511	-\$50,282	-\$221,030	-\$92,070
Participants - Active (Contributing)	1	1	2	2
Participants - Active (non-Contributing)	158	154	131	121
Participants - Terminated w/ Balance	33	33	53	64
Participants - Total	192	188	186	187
Total Loans	N/A	N/A	N/A	N/A
Total Loan Assets	N/A	N/A	N/A	N/A
Total Parts in SDBO	N/A	N/A	N/A	N/A
Total Assets in SDBO	N/A	N/A	N/A	N/A
Total Parts in Managed Accounts	N/A	N/A	N/A	N/A
Total Assets in Managed Accounts	N/A	N/A	N/A	N/A



**PROPONENT MUST ACKNOWLEDGE THIS ADDENDUM BY SIGNING BELOW AND ATTACHING THE SIGNED ADDENDUM TO THE PROPOSAL:**

Company Name \_\_\_\_\_

Contact Person \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Proposals Due** – Promptly by 2:00 P.M., Thursday, April 21, 2022, at the City Clerk’s Office.

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Addendum acknowledged and signed? \_\_\_\_\_ (Procurement Specialist’s initials)