WASHTENAW COUNTY RFP #6735

RESPONSE TO WRITTEN QUESTIONS

Responses to questions submitted as part of the Defined Contribution Administrative, Recordkeeping, Education, Enrollment and Investment Management Services RFP are being provided to those parties who submitted the Acknowledgement of Receipt of Request for Proposals Form at or before 5:00 p.m. EST Friday August 9, 2013. Questions were presented as follows (in no particular order) and have been consolidated when appropriate:

Plan Design and Eligibility:

Q. (a) Will all 1000 be enrolled in the new plan? Or, is it only new hires after Jan 1.? Will current DB plan be frozen? Closed? Distributed? Are employees required to move somewhere else, with the new plan being one option?

Q. (b) In the RFP #6735, it indicates that employees will have a window (January 1 – February 28, 2014) to make a determination on if they want to move to the new 401(a) Plan. Can you provide a copy of the current Defined Benefit Plan? What options does a participant have for moving their Defined Benefit assets (partial, full, rollover to an IRA, etc.)? Will the participants have to make an election to stay in the DB plan, or if no action is taken, will they automatically remain in the DB plan?

Q. (c) Are all eligible employees prospectively moving to the new 401(a) Defined Contribution Plan and contributing based on the schedule provided? Or will each eligible employee select on a go forward basis whether to stay in the DB plan for future benefit accruals or switch to the new DC plan in lieu of DB future accruals?

Q. (d) If an employee elects into the new DC plan will they be permitted to rollover existing accrued DB balances to the DC plan?

Q. (e) How many of the 1000 employees do you expect to participate in the plan?

Q. (f) How much in rollover assets do you anticipate will roll into the 401(a) from the DB plan?

Q. (g) Has the County conducted any surveys with the current 1,000 benefit eligible employees to gather an estimate of what percentage may choose the new 401(a) defined contribution plan during the window?

Q. (h) For those vested employees who opt out of the defined benefit plan it has been our experience that they are eligible to have their contributions plus interest rolled over to the new defined contribution at their request. If applicable, do you have an average number associated with this rollover amount per employee?

A. Washtenaw County currently offers a defined benefit retirement program to employees that are employed in a benefit eligible position (regular employees in .50 FTE status or greater). As a result of recent negotiations, the defined benefit plan will be closed to new employees hired on or after January 1, 2014. Members in the defined benefit program will remain in that program, unless they make an election to move to the new defined contribution plan within the transfer window (January 1, 2014 through February 28, 2014). Members that voluntarily terminate their membership in the defined benefit plan, and request to become a participant in the defined contributions plan, will transfer their entire accumulated account balance to the defined contribution plan. A member's accumulated account balance consists of contributions they made during their tenure, and the interest that had been posted annually in accordance with the defined benefit plan's Ordinance. Employees hired on or after January 1, 2014 in a benefit eligible position will be required to participate in the defined contribution plan with the contribution schedule as presented in the RFP. Based on recent actuarial projections, the current active member population within the defined benefit plan will decrease by 50% within eight years (2021), and 75% within fourteen years (2026). At this time we do not have any data regarding the number of defined benefit plan members that may elect to transfer, nor the associated value of assets. Generally, younger members and/or those that are not vested may be more likely to transfer. Current vesting requirements in the defined benefit plan are eight (8) years for employees hired prior to January 1, 2012, and ten (10) years for those hired on or after January 1, 2012. We have attached an *Age and Service Distribution of Active Members as of December 31, 2012* report for your reference and projection purposes. As of December 31, 2012 there were 1,118 active and deferred members within the defined benefit plan, and a total general member account balance of $58,995,286.58, resulting in an average member account balance of $52,768.59. We have also included the following statistics associated with active benefit eligible employees as of August 7, 2013, that may assist you in projecting average account balances that may transfer to the defined contribution plan:

Date of Hire on or After	Average Account Balance (as of December 31, 2012)
01.01.2006	13,198.09
01.01.2008	7,544.50
01.01.2010	4,544.79
01.01.2012	2,816.10

A copy of the *Washtenaw County Employees' Retirement System Ordinance* has been attached as requested.

<u>Employee and Employer Contributions:</u>

Q. (a) Is the 6% listed in'14 both for employees and employer (i.e. 12% total for year), or is it a combined 6%?

Q. (b) Is there a forecasted contribution flow for the new plan?

Q. (c) Please provide estimates in dollars of the annual employee and separately annual projected employer contributions as per the schedule provided.

Q. (d) Please provide annual total payroll for benefit eligible employees.

Q. (e) Are the DC contribution rates specified in the provided schedule the total of employee and employer contributions as stated by percent?

Q. (f) Is the employer matching schedule 100% of the employee mandatory contributions?

Q. (g) Do you have census data for the County that reflects the annual income amounts or at the very least an average compensation amount to assist with pricing calculations?

Q. (h) Are the mandatory employee contributions also deposited into the 401(a) plan? If not, which plan are they directed to?

Q. (i) How much do you expect in annual employee contributions?

Q. (j) How much do you expect in employer contributions based upon the enclosed county matching schedule?

Q. (k) The RFP describes the contribution rates, but would you be able to provide the annual payroll?

A. Mandatory contributions to the defined contribution plan will be made by the employee with a matching contribution made by the employer, as negotiated, on a bi-weekly basis. Retirement contributions are calculated (employee and employer) on regular compensation, including sick, vacation, compensatory, longevity and other earnings as defined through collective bargaining. Contributions will not be calculated

on non cash benefits, or other benefit programs such as tuition reimbursement. The contribution schedule has been clarified below:

Period	Employee	Employer	Total
2014 – 2015	6.00%	6.00%	12.00%
2016 – 2017	7.00%	7.00%	14.00%
2018 – 2023	7.50%	7.50%	15.00%

As of the 2012 actuarial valuation the total annual payroll for general employees was $52,969,474, with an average annual salary of $51,931. An Excel spreadsheet will be attached as a de identified census, as of August 7, 2013, of all benefit eligible employees including date of hire, salary, and date of birth.

Human Resources in conjunction with data provided by Finance, projects the following estimated annual contributions to the defined contribution plan over the next four years. These projections are based on analysis of historical hiring rates, current annual salary data, and negotiated contribution percentages, and are for illustrative purposes only. These projections are not a guarantee of contributions to be made to the defined contribution plan.

Year	Estimated Employee Contributions to DC	Estimated Employer Contributions to DC	Estimated Combined Contributions to DC
2014	146,438.00	146,438.00	292,876.00
2015	292,876.00	292,876.00	585,752.00
2016	292,876.00	292,876.00	585,752.00
2017	585,752.00	585,752.00	1,171,504.00

Basic assumptions include the expectation to annually hire 33 employees with an average salary of $43,698 and 65 employees with an average salary of $37,892.

Supplemental 457(b) Retirement Savings Program

Q. (a) Is there an interest in allowing the selected DC Administrator to be added as an additional 457(b) provider under the current Washtenaw County 457(b) plan?

Q. (b) Will Washtenaw County be conducting an RFP for the 457 plan? If so, what is the anticipation date?

Q. (c) Have you considered combining the new 401(a) plan with the existing 457 plan? If so, what are the total assets in the 457 plan?

A. Washtenaw County intends to prepare and issue a Request for Proposal associated with the Deferred Compensation (457) program, with intent to do so yet this calendar year. As part of that RFP, the County will evaluate and determine the number of 457 providers that will be authorized to provide services to active employees. It is not our intent to allow the selected defined contribution provider to offer services under the 457 program without being reviewed as part of the upcoming Deferred Compensation (457) RFP.

Q. Who are the providers for the 457 plan?

A. The County currently partners with five deferred compensation providers: Equitable, Great-West Retirement Services, ICMA Retirement Corporation, Nationwide Retirement Solutions and Raymond James Financial Services

Q. What are the estimated plan assets and participants in the 457 plan?

A. While we understand the interest in this program area, this question is outside the scope of this RFP.

Miscellaneous

Q. What are the total assets in the Defined Benefit Plan? What is the average account balance?

A. The market value of assets held by the Washtenaw County Employees' Retirement System as of June 30, 2013 was $213,279,071. The average member account balance through December 31, 2012 was $52,768.59.

Q. Is there any leeway in the minimum of $5 billion in public sector retirement plans?

A. The lack of $5 billion in public sector retirement plans will not solely eliminate a responder from consideration. However, the evaluation committee will review the provider's experience level with public sector retirement plans as a significant component in their determination/selection process.

Q. The Scope of Services mentions "open architecture," but later states that proposals should include a wide spectrum of investment options. Are you limiting your review to mutual fund products, or will you accept proposals for annuity products as well?

A. The evaluation committee will consider annuity products if offered as a voluntary election within a "menu" of investment options available to all participants, not as a sole option.

Q. Are you seeking to award the contract to a single vendor, or may multiple vendors be selected?

A. It is our intent to select one provider.

Q. Is the County working with a benefit plan consultant/advisor, and if so, are you able to disclose which firm?

A. At this time, the County will continue to work with partners (legal, investment, and actuarial) currently affiliated with the defined benefit plan (WCERS) as well as the Voluntary Employees Beneficiary Association (VEBA) regarding the evaluation of the RFP responses and selection of a provider. Over time an investment committee or Board of Trustees associated with the defined contribution plan may independently select appropriate partners to assist in the administration and oversight of the plan.

Q. Is the 401(a) plan a Money Purchase Pension Plan? Please provide details.

A. Yes, in accordance with the following definition:

> 'Money-Purchase Pension Plan': A pension plan to which employers and employees make contributions based on a percentage of annual earnings, in accordance with the terms of the plan. Upon retirement, the total pool of capital in the member's account can be used to purchase a lifetime annuity. The amount in each money-purchase plan member's account will differ from one member to the next, depending on the level of contributions and investment return earned on such contributions.
>
> Also known as a defined contribution plan.

Q. Please verify if the vesting schedule is really a 10 year cliff, or if that has been amended.

A. The vesting schedule as indicated in the RFP has not been amended. This provision has been collectively bargained, and any amendments would need to be completed through the same process.

Q. What types of financial planning services are currently being provided for the DB and the 457 plans?

A. The Retirement Office provides professional development courses specific to the benefits provided under the defined benefit program. Each 457 provider has the opportunity to schedule educational programs for County employees through coordination with Human Resources. When a defined contribution program was offered in the past, the Trustees associated with that plan partnered with the administrator to offer varying levels of educational opportunities, including comprehensive financial planning services to those members that elected that benefit. The County has been approached by various entities in the local area that wish to provide low or no cost financial planning seminars, however Human Resources intends to evaluate the need/interest for such and will create a project plan associated with

financial planning services through current financial/investment partners or through additional RFP processes.

Q. The RFP mentions Auto Enrollment. Will Michigan wage garnishment laws allow this feature?

A. The defined contribution plan will require mandatory participation in accordance with the collective bargaining agreement; however additional research is underway regarding "auto enrollment" and applicable laws.

Q. We have a question regarding page 32 of the RFP. Would you please clarify what you are looking for? Does this just speak to accepting electronic signatures by both parties?

A. Page 32 is the last page of the sample contract provided as a reference, so that potential responders review and acknowledge their acceptance of the general terms, and are able to note and bring attention to areas of concern.

Q. Are there any special needs for enrollment? Spanish language, etc?

A. At this time, we have not identified special enrollment needs.