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(Due to final Cabinet-level approval on Monday at noon, 2+ weeks prior to BOE meeting date)

Meeting Date:	January 11, 2017	
Agenda Session: (Category)	<input type="checkbox"/> Closed <input type="checkbox"/> Public Hearing	<input type="checkbox"/> Regular (Information, Reports, System Recognitions) <input checked="" type="checkbox"/> Work Session (Bids, former F&F items)
Title (Subject):	RFP 17MISC3, 403(b)/457(b) Programs and Services for Employees of Frederick County Public Schools (FCPS)	
Access:	<input type="checkbox"/> Private <input checked="" type="checkbox"/> Public	
Type:	<input checked="" type="checkbox"/> Action (e.g., bids) <input type="checkbox"/> Action/Consent (e.g., staffing, grants over \$25k) <input type="checkbox"/> Discussion	<input type="checkbox"/> Information (e.g., grants under \$25k) <input type="checkbox"/> Report
Aspirational Goals: (May select multiple)	<input checked="" type="checkbox"/> 1-Student Achievement <input type="checkbox"/> 2-Effective and Engaged Staff <input checked="" type="checkbox"/> 3-Resource Allocation	<input type="checkbox"/> 4-Family and Community Involvement <input type="checkbox"/> 5-Health and Safety
Recommended Action:	Board approval of RFP 17MISC3, 403(b)/457(b) Programs and Services for Employees of Frederick County Public Schools (FCPS)	
Backup Documents:	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO If yes, how many? <u>1</u> Is one a PowerPoint (PPT): <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	Submitted: <input checked="" type="checkbox"/> Herewith <input type="checkbox"/> Later <input type="checkbox"/> Both Comment: _____
Immediately following receipt of an email confirmation that this item has been approved by the Superintendent, the person posting this agenda topic to BoardDocs is responsible for emailing the approved PPT to tim.dean@fcps.org.		

PURPOSE OF PRESENTATION: Staff has reviewed the attached contract and recommends approval by the Board of Education of Frederick County.

BACKGROUND/SUMMARY: This recommendation is to establish contracts with qualified firms for providing annuity, mutual fund and custodial account investment products and services for employees of FCPS.

PRESENTER(S) & TITLE(S):

Kim Miskell, Assistant Purchasing Manager
 Penny Opalka, Senior Manager, Human Resources

SUBMITTED BY:

Stephen P. Starmer, C.P.M., CSBA, Purchasing Manager
 Leslie R. Pellegrino, Chief Financial Officer

RFP 17MISC3

403(b)/457(b) PROGRAMS AND SERVICES FOR EMPLOYEES OF FREDERICK COUNTY PUBLIC SCHOOLS (FCPS)

FACT SHEET

A. **Overview:** This recommendation is to establish contracts with qualified firms for providing annuity, mutual fund and custodial account investment products and services for employees of FCPS. Proposals were received on December 6, 2016.

1. **Bid participation:**

- 38 proposals downloaded
- 8 companies submitted a proposal

2. **Bids were received from:**

- American Century Investments (Kansas, MO)**
- AXA Equitable (Jersey City, NJ)**
- Lincoln Financial Group (Fort Wayne, IN)
- Lincoln Investment (Fort Washington, PA)
- PlanMember Services Corporation (Carpinteria, CA)**
- Security Benefit (Topeka, KS)**
- Variable Annuity Life Insurance Company (Houston, TX)**
- Voya Retirement Insurance and Annuity Company (Windsor, CT)**

3. **Other facts:**

- The intent of this solicitation was to find qualified investment providers able to provide an adequate selection of products and services available in the market today for the employees of FCPS. FCPS solicited both “load” (service based) and “no-load” investment providers.
- The contract term will be effective from date of award through December 31, 2019, with two additional two-year renewal options available.
- FCPS utilized the services of TSA Consulting Group to assist with the preparation of bid specifications and the evaluation of the received proposals.
- Selection was based on the total technical score of each vendor’s proposal.
- Currently, FCPS has ten 403(b) vendors servicing the needs of employees; however, two of the current vendors, MetLife and Mass Mutual, did not submit a response to this RFP. Additionally, two current vendors, Lincoln Investment Planning and Lincoln Financial are not being recommended based on the service level they have been providing for the last several years.
- Employees contributing to accounts with non-recommended providers will be allowed to continue their contribution to those providers without interruption.
- Fees and rates quoted shall be guaranteed for a minimum of twelve (12) months and are lower than the current contract pricing.
- This recommendation has been reviewed and approved by the Insurance Council which consists of members from FCPS, Frederick County Teachers Association (FCTA), Frederick Association of School Support Employees (FASSE) and Frederick County Administrative and Supervisory Association (FCASA).
- This contract will be administered by Penny Opalka, Senior Manager, Human Resources.

4. **Source of funding:** Not Applicable

B. **Recommendation:** Staff recommends the contract for RFP 17MISC3, 403(b)/457(b) Programs and Services for Employees of Frederick County Public Schools (FCPS), be awarded to the highlighted vendors, as indicated on the attached Scoring Summary.

C. **Action taken by the Board (Purchasing use only):**

____ Approved	____ Denied	____ Deferred	____ Other	KM/ru
____ Date	____ Date	____ Date	____ Date	BOE Meeting 01.11.17



Date: 12/13/16

To: Penny Opalka and Kimberly Miskell

From: Stephen Banks, Executive VP

A handwritten signature in blue ink, appearing to read 'S. Banks', is written over the 'To' and 'From' lines of the email header.

Re: 02 RFP 17MISC3 403(b)457(b) Programs and Services for Employees of FCPS
Summary of Results after Evaluation Committee Selection

The following is a summary of the investment options associated with the selection of investment providers under the RFP.

The goal of the committee in this RFP process was provide the most investment and service options to employee for their voluntary retirement plan while decreasing the number of providers to a more manageable level. The evaluation looked only at existing providers, but the committee would look outside the existing line-up if the existing providers did not provide a path to reach the stated goal. As the responses were evaluated, it was determined that the goal was achieved within the existing providers.

Eight of the ten existing providers submitted responses to the RFP. Of these respondents, it was determined that six respondents were of value to the plan and that all investment options were represented. The following is a listing by category of investment alternative and service models.

- A. Variable Annuity with full-time financial representatives for assistance**
 - 1. AXA-Equitable – Active marketing team of representatives
 - a. Product assigns market acceptable fee levels for the services provided
 - b. Fixed Interest account with guarantees along with Sub-Accounts of diverse fund offerings
 - 2. VALIC – Well established firm with full-time representatives for sales and service
 - a. Fees are low for a full-service firm
 - b. Fixed Interest account with guarantees along with Sub-Accounts of diverse fund offerings
- B. Fixed Interest Annuity**
 - 1. AXA – As part of their Variable Annuity
 - 2. PlanMember – Two stand-alone offering, one longer term higher rate, another highly liquid and market rate
 - 3. Security Benefit – One stand-alone offering with market rate and highly liquid
 - 4. VALIC – As part of their Variable Annuity
 - 5. VOYA - One stand-alone offering with market rate and highly liquid
- C. Mutual Funds and Custodial accounts**
 - 1. American Century – No-Load Mutual Fund family with 81 fund offerings
 - 2. PlanMember Services (PMS) – four custodial account offerings with high level of service and institutional pricing of funds

- a. Elite – PMS managed fund portfolios based on Risk Tolerance
 - b. Strategist – Mutual fund portfolios managed by third party firms (CLS and Russell)
 - c. Select – Load based fund offerings to accommodate rollovers or exchanges into funds where the load has already been paid in previous investing activities thus allowing the lowest pricing going forward.
 - d. Direct – This is a selection of over 200 funds at institutional pricing with a .35% custodial fee and is self-directed by participant. Very close in pricing to the American Century No-Load fees.
3. Security Benefit – Large selection of funds with a high level of service and low custodial/wrap fees
 4. VOYA – Very high level of service with very good fee structure and number of fund selections

MetLife and Mass Mutual

The RFP was specifically designed to assure that all providers could offer both the 403(b) and the 457(b) plans. Both plans are valuable to all participants, therefore it is in the best interest of the participant that they be shown both plans by any representative or company they choose to investigate.

MetLife did not bid because, although they will continue to record keep the products previously sold, they will no longer support a representative field force to support sales and individual service. The company worked with Mass Mutual to support these representatives under the Mass Mutual company and brand.

Mass Mutual also did not bid, but for other reasons. They cannot support the information sharing requirements of the 457(b) plan. This is a national issue, not just in FCPS.

Quantitative reasons for the elimination of Lincoln Investment Planning and Lincoln Financial.

Each of the companies bid very good products in response to the RFP. The goal of the RFP was to reduce the number of investment providers while providing a full cross-section of investment alternatives and service models within the companies finally accepted.

While each company bid very good investments, they were very much like others bid. It came down to the service that was anticipated from each company and what the company can do in the future based on their proposal along with what they have accomplished in enrollments in the past.

Both Lincoln Investment Planning and Lincoln Financial had not been working in the district for the last several years with any success. This is evidenced in the report we developed that measures the new participant enrollments each year. Lincoln Investment Planning enrolled six (6) participants from the beginning of 2015 to the middle of December 2016. Lincoln Financial enrolled eight (8) during that same period. Security Benefit and PlanMember Services did slightly better but had made significant strides with the benefits department in financial education initiatives during the last year. Neither Lincoln made such an effort.

All other companies have been enrolling at acceptable levels, and some at exceptional levels. All lowered their pricing so that the six remaining providers offer some of the best fee structures for the services provided in the industry.

Summary

The six offerings being recommended allowed for at least two options under each category that allows for high level of service and enrollment, stability and safety of principal, fund selection, and pricing of funds and service options to accommodate either a high level of service or online service only at institutional pricing of shares.

This allows the District to offer all aspects of financial services as well as low pricing for those that wish to do it themselves. Those that provide the high level of service have proven this in the past with the District employees and proposed solid plans to assist in improving enrollments going forward.

There is no need for a transition since all recommended providers are existing providers and all participants working with the non-recommended providers will be allowed to continue their contributions to those providers without interruption.

FCPS RFP Product Evaluation
Fixed Interest and Equity Indexed Annuities

Company Name	PlanMember Services		PlanMember Services		Security Benefit		VALIC		Voya Retirement Insurance and Annuity Company	
Investment Product Name	GreatFlex 6		Symetra Daily Value		Fixed Interest Annuity		Portfolio Director Choice Fixed and Variable Annuity Fixed Account Plus		Fixed Plus	
	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments
Interest Crediting Rate	3.20%	Includes 2% 1st Yr Bonus	1.50%		1.50%					
Guaranteed interest Rate	1.00		1.50		1.00		1.00		1.00	
Terms for Guaranteed interest rate	NA		NA		NA		1 month		Life of Policy	
Are there factors that could make the guaranteed interest rate change after contract issuance? If so, please explain.	NA		NA		NA		NA		NA	
Surrender Period	6 year		No Surrender Period		0.00		5 years		Withdrawals must be made in 5 installment payments over 5 years	Does not apply to withdrawals for seperation, financial hardship, certain retirement income payments, and death.
Surrender Schedule (%)	9% - 0%		No Surrender Penalty				0.05		20%, 25%, 33 1/3%, 50%, 100%	
Rolling or Declining	Rolling		NA				Rolling		NA	
If Rolling, what is the maximum surrender period?	All Surrender Charges end after the 10th contract year.		NA				15 years		NA	
Administrative Fees	NA		NA		NA		NA		NA	
Contract Fees	NA		NA		NA		NA		NA	
Interest Rate Cap for EIA	NA		NA		NA		NA		NA	
Index Options - (IE. S&P500)	NA		NA		NA		NA		NA	
Benefit Sensitive: (Yes or No)	NA		NA		NA		Yes		Yes	
If so under what circumstances?	NA		NA		NA		Death, Disability, Retirement, Age, Hardship, etc.		Seperation, Death, Hardship, Retirement, Annuity, Disability, etc.	

Product Evaluation Variable Annuities

Company Name	AXA Equitable		Lincoln Financial		VALIC	
Investment Product Name	EQUI-VEST Strategies 900				Portfolio Director Choice Fixed and Variable Annuity	
	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments
M & E Fee	0.70	There is a 25 bps trail charge imbedded in the fund fees to support servicing of the account	0.37	Added fee of 0.45% for Managed Account Services provided by Morningstar	0.6 (.35 for 15 funds)	
Surrender Charge (%)	5 to 0%	Benefit Sensitive	0		5%	
Surrender Charge Period Length (years)	10		None	90 day hold on Stable Value Account Dollars	5 years	
Rolling or Declining	Declining				Rolling	
If Rolling, what is the maximum surrender period?	NA				15 years	
Sub Account Cost: (Highest %)	1.45		0.63		1.05	
Name of this Fund	All Asset Aggressive-Alt 25		Eagle Small Cap Growth I		Mid-Cap Value Fund	
Sub Account Cost (Lowest %)	0.61		0.05		0.35	
Name of this Sub Account	VanEck VIP Global Hard Assets		Vanguard 500 Index Adm		Stock Index Fund	
Median Sub Account Cost for all funds offered (%)	1.10		0.33		0.60	
Total # of Sub Accounts offered	99		15	Offer 11,000 in open architecture	50	
Total # of Fund Families offered	21+		9		6	
Additional benefits available	Structured Investment Option allows for downside protection in the event of a market downturn.	Enhanced Death Benefit(Optional) also available with a .15% charge if chosen by participant	Onsite support limited to 40 days per year and \$750 per day per representative over that.			

Product Evaluation - Mutual Fund - Custodial Account

Company Name	American Century Investments		Lincoln Investment		PlanMember Services		PlanMember Services	
Investment Product Name	Mutual Fund Portfolio		Retirement Solutions Premier		Elite		Strategist	
	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments
Front End Load	None		None		None		None	
B Shares fees	None		None		None		None	
C Shares fees	None		None		None		None	
CDSC Percentage	None		None		None		None	
CDSC Period Length (years)	NA		NA		NA		NA	
Custodial Account Fee	\$15 per Fund		\$15		\$50 plus 0.025% of assets annually (maximum of \$65)		\$50 plus 0.025% of assets annually (maximum of \$65)	
Recordkeeping Fee			NA		NA		NA	
12B-1 Fees (Highest %)	0		0.00		0.00		0.00	
12B-1 Fees (Lowest %)	0		0.00		0.00		0.00	
Wrap Fee (%)	0		0.80	.30% on Managed Account Services	\$0 up to \$250,000: 1.60% \$250,000 up to \$500,000: 1.50% \$500,000 up to \$1,000,000: 1.35% \$1,000,000 or more: 1.25%		\$0 up to \$250,000: 1.60% \$250,000 up to \$500,000: 1.50% \$500,000 up to \$1,000,000: 1.35% \$1,000,000 or more: 1.25%	
Fund Cost: (Highest %)	4.2		1.35		.09 Index Portfolio .35 Hybrid		CLS .81% Russell 1.04%	
Name of this Fund	AC Alternatives Market Neutral Value Fund (Inv)		Wells Fargo Special Small Cap Value A		American Funds, Dimensional Fund Advisors (DFA), Federated Investors, Fidelity, T. Rowe Price and Vanguard		AdvisorOne Funds, American Funds, Russell Funds	
Fund Cost (Lowest %)	0.46		0.05		.08 Index Portfolio .13 Hybrid Portfolio		CLS .74% Russell .75%	
Name of this Fund	American Century US Government Money Market (Inv)		Vanguard 500 Index Admiral Shares		American Funds, Dimensional Fund Advisors (DFA), Federated Investors, Fidelity, T. Rowe Price and Vanguard		AdvisorOne Funds, American Funds, Russell Funds	
Average Fund Cost(%)	1.06		0.62		.09 Index Portfolio .27 Hybrid			
Median Fund Cost for all funds offered (%)	0.97		0.58					
Total # of Funds offered	81		Over 3,000		Unknown		Unknown	
Total # of Fund Families offered	1		70		6		3	

Product Evaluation - Mutual Fund - Custodial Account

Company Name	PlanMember Services		PlanMember Services		Security Benefit		Voya Retirement Insurance and Annuity Company	
Investment Product Name	Select		Direct		SFR Program 403(b)		Retirement Choice II - Multiple Fund Families	
	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments	Answers	Additional Comments
Front End Load	Yes		None		None		None	
B Shares fees	None		None		None		None	
C Shares fees	None		None		None		None	
CDSC Percentage	None		None				None	
CDSC Period Length (years)	NA		NA				NA	
Custodial Account Fee	\$50		0.35%		50%		0.85%	
Recordkeeping Fee	0.10%		NA		\$20.00		NA	
12B-1 Fees (Highest %)	0.00		0.00		0.50		Offsets expense	Fee included in Fund Cost below
12B-1 Fees (Lowest %)	0.00		0.00		0.25		Offsets expense	Fee included in Fund Cost below
Wrap Fee (%)	NA		0				NA	
Fund Cost: (Highest %)			1.86		1.55		1.35	
Name of this Fund	Alliance Bernstein (R), American Century (R), American Funds (R3), BlackRock (R), DWS (R), Federated (R), Fidelity (T), Hartford (R3), Invesco (R), Ivy Investments (R), Janus (R), John Hancock (R3), MFS (R2), Neuberger Berman (R3), Oppenheimer (R), PIMCO (R), Pioneer (R), Putnam (R), T. Rowe Price (R) and 1290 Funds (R).		American Century, Delaware, Dreyfus, Fidelity, Franklin Templeton, Invesco, Janus, JP Morgan, Neuberger Berman, Pioneer, RS Investments, Sentinel, OppenheimerFunds, T. Rowe Price and Vanguard		Goldman Sachs Em Mkts Eq Insights A		Franklin Small Cap Growth Fund - Class A	
Fund Cost (Lowest %)			0.05		0.50		0.58	
Name of this Fund	Alliance Bernstein (R), American Century (R), American Funds (R3), BlackRock (R), DWS (R), Federated (R), Fidelity (T), Hartford (R3), Invesco (R), Ivy Investments (R), Janus (R), John Hancock (R3), MFS (R2), Neuberger Berman (R3), Oppenheimer (R), PIMCO (R), Pioneer (R), Putnam (R), T. Rowe Price (R) and 1290 Funds (R).		American Century, Delaware, Dreyfus, Fidelity, Franklin Templeton, Invesco, Janus, JP Morgan, Neuberger Berman, Pioneer, RS Investments, Sentinel, OppenheimerFunds, T. Rowe Price and Vanguard		Dreyfus S&P 500 Index		Lord Abbett Short Duration Income Fund - Class A	
Average Fund Cost(%)	1.38		0.81		1.09			
Median Fund Cost for all funds offered (%)					1.16		0.92	
Total # of Funds offered	Unknown		Unknown		57		32	
Total # of Fund Families offered	3		15		20		15	

RFP 17MSC3, 403(b) & 457(b) PROGRAMS AND SERVICES FOR EMPLOYEES OF FREDERICK COUNTY
PUBLIC SCHOOLS (FCPS)

SCORING SUMMARY

Company Name	Technical Proposal 100 points
American Century Investments	95.6
AXA Equitable	99.4
Lincoln Financial Group	76.4
Lincoln Investment Planning	78.4
PlanMember Services	95.3
Security Benefit	96.9
VALIC	100.0
VOYA	99.7