

Maryland\$aves

MARYLAND SMALL BUSINESS RETIREMENT SAVINGS PROGRAM

REQUEST FOR PROPOSALS

FOR

PROGRAM ADMINISTRATION AND INVESTMENT MANAGEMENT SERVICES

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SCHEDULE OF KEY EVENTS:

KEY EVENTS	DEADLINE
Solicitation Issued	March 5, 2020
Proposer's Conference Call	March 16, 2020 at 2:00 PM ET
Deadline for Receipt of Questions	March 19, 2020 by 2:00 PM ET
Answers to Questions Posted	March 23, 2020 by 5:00 PM ET
Proposals Due	April 17, 2020 by 2:00 PM ET
Oral Presentations	Week of May 4, 2020
Tentative Contract Award	June 2020

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1. SUMMARY

The Maryland Small Business Retirement Savings Program (“Maryland\$aves” or the “Program”) is being established to create a new retirement savings option for employees of small businesses that do not offer a retirement plan. Analysis done by Maryland\$aves and its consultants suggests the Program could hold total savings of approximately \$10 billion on behalf of approximately 400,000 participants within a decade, not counting the potential use of the Program in other states.

Maryland\$aves is seeking proposals in response to this Request for Proposal (“RFP”) for third parties to administer the Program. We are interested in proposals for the following services, separately or in combination:

- (1) **Program Administrator:** provides all administration services including general compliance and oversight; communication, connection, and funds collection and transmission with employers; account administration and recordkeeping; communication, education, and reporting/recordkeeping services and disbursement for savers; provision of call center; website, social media and other communication, outreach marketing and education services.
- (2) **Investment Manager:** responsible for management and monitoring (and, as appropriate, reporting) of funds entrusted to the Program, which will be a combination of commercially-available investment vehicles selected by Maryland\$aves based on proposals received. Unless participants select otherwise, funds will be invested in a default investment option which is described below.
- (3) **Program Manager:** provides both Program Administration and Investment Management Services.

Maryland\$aves was created pursuant to Title 12. Maryland Small Business Retirement Savings Program and Trust of the Maryland Code, Labor & Employment. It will be operated by a state-created nonprofit corporation, Maryland Small Business Retirement Savings Program, Inc. (the “Corporation”), which is managed by its CEO/Executive Director under the supervision and with the authority of the Maryland Small Business Retirement Savings Board (the “Board”). The Board consists of Maryland State officials and others chosen by the Governor, the President of the Senate, and the Speaker of the House of Delegates.

In addition to the CEO/Executive Director, the Corporation has a budget and staff necessary to support the Program. The State of Maryland has provided startup funding and State agencies are working with the Corporation to implement the Program. The Corporation’s procurements are not subject to the requirements of Maryland Procurement Code and no contract entered into pursuant to this RFP (the “Contract”) can provide any recourse to the State of Maryland, any of its agencies, the Board or the Program.

This RFP describes the Program, the services we’re seeking and how to submit proposals.

2. ABOUT THE MARYLAND\$AVES PROGRAM

2.1 Why Maryland\$aves is Needed

In Maryland, approximately 1.2 million private-sector employees work for an employer that does not offer a workplace-based, payroll-deduction retirement program¹. Studies have shown that employees are 15 times more likely to save for retirement if they have the option of payroll deduction at their place of employment.

Many smaller companies and nonprofits choose not to offer retirement savings to their employees for multiple reasons, including cost, complexity, and the risk of legal liability.

To overcome these concerns, Maryland and seven public entities (including six states and one city) have enacted laws creating automatic-enrollment Individual Retirement Account (“IRA”) programs. These programs provide, via contractors, the services that otherwise would be borne by smaller companies and nonprofits to help employees save for retirement, including the establishment of IRA accounts for each employee, selecting a menu of investment options for employees, processing fund transfers, and maintaining IRA recordkeeping, customer service and account administration. Employers do not contribute any funds; their only obligation is to comply with the law by providing employee information for enrollment and facilitate payroll deductions – for which Maryland employers will receive a \$300 annual credit to cover sign-up costs. Title 12 of the Maryland Code requires that all covered employers enroll their covered employees in the Program. Employers that offer another type of employer-offered savings arrangement, such as a 401(k) plan, are exempt from this mandate.

Through these programs, employees can automatically save for retirement and emergencies through payroll deduction. They can, if they wish, choose investment options, raise or lower their savings rate, or withdraw from the program entirely. However, we know from experience with similar programs that most employees remain in the default investment option and contribute at the default savings rate. Under Maryland\$aves, these workers will successfully be able to save.

2.2 Program Design Elements

(a) Program Savings Elements During Working Life

- (1) **Default contribution rate** – The initial default contribution rate will be 5% of participant pay, which amount will be deducted from each paycheck. Participants may elect a higher or lower contribution rate or they may opt out of the program entirely.
- (2) **Automatic escalation** – Default contributions will automatically increase by 1% annually up to a maximum of 10%. Participants may opt-out of automatic escalation or choose another escalation rate.

¹ See Appendix 1

- (3) **Roth IRA default** – Participant accounts will be Roth IRAs. If feasible within cost constraints, Maryland\$aves would like to also offer a Traditional IRA option. Proposers are invited to discuss the cost of doing so.
- (4) **Enrollment, Opting Out and Changes** – Our preference is that savers may be enrolled anytime during the year and that changes in contribution rates or opting out can also be done expeditiously. Program Administration proposals should be clear on these points.
- (5) **Default Investment Option**
 - (i) The default investment option should be a target date type fund. Maryland\$aves’ preference would be for a target date where the glidepath extends beyond normal retirement age. Proposers may suggest comparable alternatives.
 - (ii) As part of the default, Maryland\$aves would like contributions up to \$1,000 to be held in a money market or similar fund, to which savers would have pre-retirement access as emergency needs arise. When savings in the money market or similar fund exceed the target amount of \$1,000, further contributions would be deposited into the applicable target date fund (unless the saver elects otherwise). Maryland\$aves would like proposers to discuss the additional costs that this feature would require. Depending on those costs, the feature may or may not be incorporated. (The IRA programs in California and Oregon include similar arrangements.)
- (6) **Other Investment Options** – In addition to the default investment option, participants should have several other investment option choices. Maryland\$aves is interested in, but not limited to, investment options such as capital preservation, income funds and growth funds. Investment Manager proposals should offer suggestions for other investment options.

(b) Program Elements at Retirement Age

Maryland\$aves would like to help its savers avoid exhausting their retirement savings prematurely. To help achieve this, we would like to offer two additional options for savers when they reach retirement age, in addition to a lump-sum and other options. Proposers should offer suggestions on these and other options:

- (1) **Default Managed Payout Option** – The default investment option at retirement will be a managed payout (the “Managed Payout Option”). Upon reaching Social Security normal retirement age (67 for most people), savers will begin receiving monthly payments in an amount calculated, but not guaranteed, to last their lifetime. Under this Option, payments would be made directly by the Program Administrator from a saver’s retirement account. Savers would retain the ability to withdraw additional funds or end managed payouts. Program Administration proposals should offer suggestions on how to structure and administer this default Option.
- (2) **Optional Accelerated Payment Option** – In addition to the default Managed Payout Option, Maryland\$aves plans to offer a “Social Security Bridge” accelerated payment option (the “Accelerated Payment Option”). Prior to reaching the Social Security early retirement age of 62, savers would be offered the option of accelerated payments from their Maryland\$aves account in order

to permit them to delay filing for Social Security benefits. The benefit of this approach would be to receive higher monthly Social Security payments at a later date by delaying receipt of Social Security benefits for as long as possible. Under this approach, all or most of a Program account would be paid out in the years between age 62 and age 70. Program Administration proposals should offer suggestions on how to structure this Social Security Bridge Accelerated Payment Option.

2.3 Potential Market for Maryland\$aves

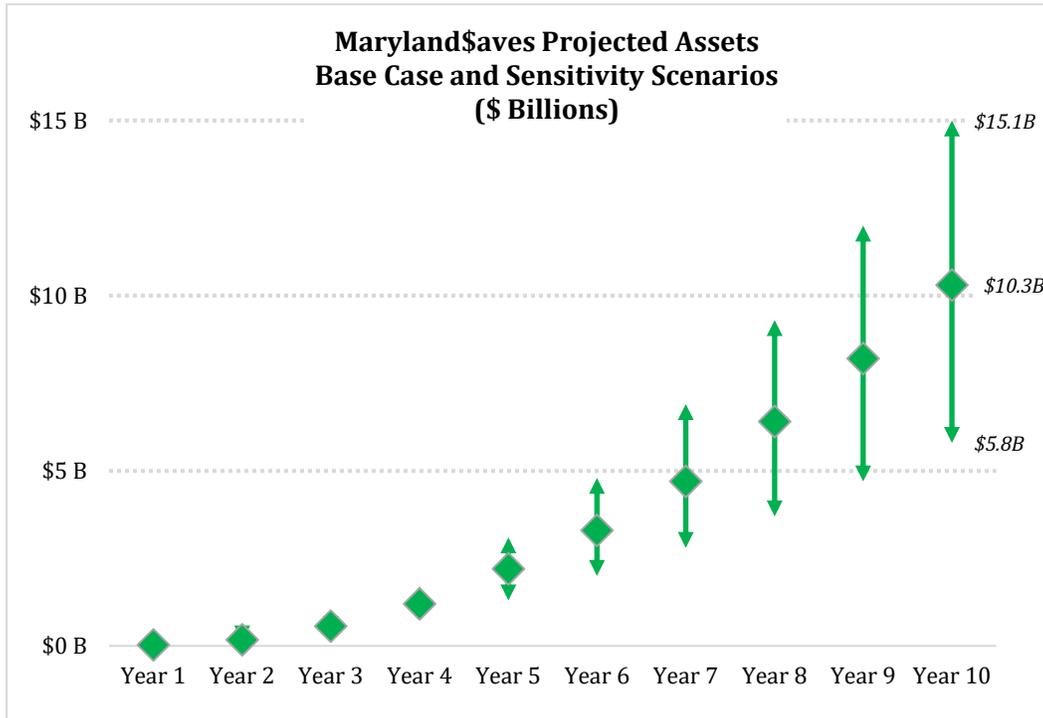
In 2014, an advocate for Maryland's small businesses reported that in the prior 15 years, the percentage of businesses sponsoring a workplace retirement plan had dropped from two-thirds to 57%. As a result, at that time, roughly one million of Maryland's private-sector workers lacked access to a workplace retirement plan.

Since these are currently unserved markets and state-supported auto-IRA programs are not yet well-established, Maryland\$aves and its consultants have developed estimates of possible participation and asset accumulation in the Program over a ten-year period.

These estimates are based upon: available data about Maryland's working population and the portions that are not currently offered workplace savings; experience in Oregon, which started the first such auto-IRA program, related to employer sign-up rates and employee opt-out rates; experience in rolling out services to small businesses; and projected investment returns. See Appendix 1 for details regarding these assumptions and estimates.

Under the Base Case, over a ten-year period an estimated 400,000 accounts would be established with total assets of approximately \$10 billion. Two sensitivity cases were also developed, under which greater and lesser employer signup and employee opt-out rates were assumed. The low sensitivity case projects an estimated 214,000 accounts with assets of approximately \$5.8 billion over a ten-year period; the high sensitivity case projects 578,000 accounts with assets of approximately \$15.1 billion. These estimates are provided both to assist Maryland\$aves in program planning and to assist potential proposers in developing their responses to this RFP. The actual results, of course, may vary significantly from these estimates and Maryland\$aves provides no warranties about them.

The following graph shows the projected participant assets under management in each scenario.



The following table provides end-of-year information on the following: (i) projected participant assets under management, (ii) total number of participants and (iii) total number of participants with funded accounts.

End-of-Year		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base Case	Assets (\$B)	\$0.03	\$0.17	\$0.6	\$1.2	\$2.2	\$3.3	\$4.7	\$6.4	\$8.3	\$10.3
	Funded Accounts (000's)	36	148	296	362	377	381	384	386	388	390
Low Sensitivity	Assets (\$B)	\$0.03	\$0.13	\$0.4	\$0.8	\$1.3	\$2.0	\$2.8	\$3.7	\$4.7	\$5.8
	Funded Accounts (000's)	36	99	170	200	208	210	211	212	213	214
High Sensitivity	Assets (\$B)	\$0.03	\$0.21	\$0.8	\$1.7	\$3.1	\$4.8	\$6.9	\$9.3	\$12.1	\$15.1
	Funded Accounts (000's)	36	201	432	535	558	566	569	572	575	578

2.4 Collaboration with Other States

The projections shown above do not include the potential use of the Program in other states. Maryland\$aves' legislation and legal structure permits the Corporation to offer its services to other populations within Maryland and to other states. The Program is aware of other states that are looking for a low-cost or no-cost opportunity to offer a retirement benefit via existing state-facilitated retirement savings programs. Maryland\$aves could provide that service and has engaged in general conversations with other state officials in regard to this possibility.

Program Administration proposals should indicate whether, should such out-of-state partnership possibilities arise, they would be willing to negotiate and develop proposals on behalf of the Corporation.

3. SERVICES SOUGHT

3.1 Program Administration

The Program Administrator will be responsible for all aspects of enrollment of savers, establishment and recordkeeping of IRA accounts, collection, transmission and disbursement of funds, communication, education, reporting, and compliance.

Maryland\$aves' goal is that the Program operates with minimal burden on employers and employees/savers, and at competitive costs to savers. Program Administration proposals should include detail on how the payroll interface connections will work with the various payroll systems used by employers. Proposals should also provide detail on how the onboarding of employees into Maryland\$aves will be accomplished.

(a) Account Setup and Administration ***(Program Administrator and Program Manager)***

- (1) The Contractor will provide a platform and manage all aspects of the establishment, explanation, and maintenance of a payroll-deduction IRA program. The Contractor's performance will be measured by mutually agreed upon administrative performance criteria.
- (2) The Contractor will provide a web-based platform that, to the greatest extent possible, enables employers easily to connect their payroll systems for the purposes of saver enrollment and IRA payroll deduction.
- (3) The Contractor must provide all necessary administrative documents, including but not limited to Program forms, operation manuals, the Program Disclosure Statement, and the IRA Disclosure Statement and Custodial Agreement.
- (4) The Contractor must comply with a Program annual audited financial report to be performed by an independent certified public accountant selected by the Board.

(b) Recordkeeping ***(Program Administrator and Program Manager)***

- (1) The Contractor must provide an IRA platform and IRA custodial services that incorporate all components necessary to accommodate an IRA payroll deduction program for retirement. The platform must ensure the confidentiality of personal information and must maintain industry best-practice quality control procedures to minimize errors.
- (2) The Contractor must provide a web-based employer platform that includes necessary transmittal capabilities that minimize required employer actions and provide pertinent instructions for the employer.
- (3) The Contractor will, to the greatest extent possible, manage and distribute all necessary forms and reports to savers, employers, and third parties.

- (4) The Contractor must provide a secure website that provides account access to participants and allows for self-service account maintenance.
- (5) The Contractor must provide custodial services necessary to support the investment options offered to participants.
- (6) The Contractor must provide connectivity with payroll providers.
- (7) The Contractor must provide the administrative capability to support the Program Elements at Retirement Age described in Section 2.2(b) of this RFP or otherwise demonstrate how to achieve the same intended results.
- (8) Costs to maintain and support the Contractor’s recordkeeping platform will be the responsibility of the Contractor.

**(c) Customer Service and Call Center
(Program Administrator and Program Manager)**

- (1) Contractor must provide all call center and customer service support for employers, employees, participants, and authorized third parties to ensure effective operation of the Program.
- (2) The Contractor must provide live customer service representatives from 8:00 a.m. to 7:00 p.m. ET, Monday through Friday, except holidays, or such other times as are mutually agreed.

The following chart illustrates the actual call center volumes for the Oregon and Illinois auto-IRA programs for 2019. This information is provided to give proposers a sense of potential call volumes that might be expected for the Maryland\$aves Program.

2019		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Oregon (1 million estimated eligible) ²	Employer	1,372	1,066	1,002	1,595	3,548	1,992	1,943	1,774	1,421	2,537	4,109	3,011
	Employee	5,218	3,594	2,767	2,836	3,830	4,882	5,051	3,422	3,285	3,720	3,966	5,556
Illinois (1.2 million estimated eligible) ³	Employer	276	263	378	297	381	894	937	1,441	1,251	3,717	2,894	1,999
	Employee	3,882	2,079	1,644	3,924	5,051	4,979	8,770	9,517	7,829	9,290	13,466	14,142

² The Center for Retirement Research at Boston College (“CRR”), Market Research Report: Oregon Retirement Savings Plan, July 2016

³ CRR calculations from *Current Population March Supplement*, 2013 (reflecting calendar year 2012), Illinois Secure Choice Program Manager RFP, April 2017

(d) **Communication, Outreach and Education**
(Program Administrator and Program Manager)

- (1) The Contractor must provide communication, outreach and education services to motivate and assist employers to facilitate and employees to participate in the Program.
- (2) The Contractor must assist with or support communications with employers and to educate employees on the benefits of the Program.
- (3) The Contractor will work with any marketing firms Maryland\$aves retains to support brand, public relations, or other marketing services.

(e) **General Compliance and Oversight**
(Program Administrator and Program Manager)

- (1) The Contractor must administer the Program as a fiduciary for Maryland\$aves and for Program participants in compliance with applicable State and federal laws and regulatory requirements.
- (2) The Contractor must meet with staff, attend Board meetings and provide Program-related reports as requested. Reports shall be generated to evaluate the effectiveness of all aspects of the services required by this RFP.

(f) **Fees**
(Program Administrator and Program Manager)

- (1) **Fee Structure** – Maryland\$aves is receptive to receiving an administrative fee structure proposal that is comprised of asset-based fees, dollar-based fees or a combination of both. Proposers may also include separate fees for specific services such as providing financial advice concerning options at retirement age, etc.
- (2) **Requirements for Administration Fees** – Under the Maryland\$aves statute, the Program must both (a) be self-sustaining from fees charged to savers, and (b) “ongoing” administrative expenses may not exceed 0.50% of total Program assets. After consulting with legal counsel, Maryland\$aves determined that the 0.50% administrative cap does not apply until the Program garners sufficient funding for operations to be self-sustaining, nor to the costs in establishing and launching the Program or during the initial post-launch operations. It also does not apply for additional services to participants such as providing investment education or financial planning. In proposing fees, Proposers should specify the level of assets or accounts after which the ongoing administrative fee cap would apply. (Note: the administrative fee cap does not apply to Investment Management services.)
- (3) **Administration Fee Breakpoints** – Proposals must include a breakpoint schedule that reflects the impact of higher platform and marketing expenses expected in the initial years and the benefits of economies of scale as assets grow over time. The breakpoint schedule must extend beyond the level at which proposers suggest the 0.50% cap on administrative expenses would apply.
- (4) **Maryland\$aves Administrative Expense** – To meet the self-sufficiency requirement of its authorizing legislation, Maryland\$aves will also impose a fee for its expenses. These expenses could be as much as 0.05% of assets. They will be subject to and included within the 0.50% cap once it applies.

(g) Minimum Qualifications for Program Administrators

Below are the minimum qualifications expected by Maryland\$aves of successful proposers. Maryland\$aves may in its sole discretion choose to negotiate with a proposer that does not meet all of these qualifications. If you wish to be considered under these circumstances, please consult with the Maryland\$aves Contact well in advance of any submission.

- (1) Minimum of three (3) years of experience with managing or administering IRAs, 401(k), 403(b) or similar defined contribution retirement programs.
 - (i) *Please indicate the number of years that the Proposer has managed or administered IRAs or individual account defined contribution retirement programs.*
- (2) Minimum of \$2 billion in defined contribution plan or IRA assets under management, recordkeeping, and/or program management.
 - (i) *Please indicate the total defined contribution plan or IRA assets for which your firm provides recordkeeping and/or program management services.*
- (3) Administer a minimum of five (5) defined contribution plans with more than 5,000 participants or administer 75,000 IRAs or similar accounts.
 - (i) *Please indicate the number of defined contribution plans your firm administers and the number of participants in each of the five largest plans.*
 - (ii) *Alternatively, please indicate the number of IRAs or similar accounts your firm administers.*
- (4) All applicable federal licenses and registrations necessary to comply with applicable federal and state laws for businesses offering municipal securities, investments and retirement services, as applicable (e.g., satisfaction of criteria established by the IRS to act as a custodian or trustee of each IRA established under the Program). All licenses and registrations must be current and in good standing.
 - (i) *Please indicate all applicable federal licenses and registrations that you currently hold.*
- (5) As of the final date for proposal submission, Proposer has been in operation for at least three (3) continuous years (e.g., January 1, 2017 through December 31, 2019).
 - (i) *Please indicate the number of continuous years your firm has been in operation.*
- (6) Firm must be able to furnish audited financial reports for the past two years.

3.2 Investment Management

**(a) Funds Management and Reporting
(Investment Manager and Program Manager)**

- (1) The Contractor must offer investment funds or products consistent with Section 2.2 of this RFP. These funds or products may be proprietary or offered by third parties.
- (2) Proposed investment funds or strategies must have a minimum of \$500 million in assets under management and a five-year track record.
- (3) Passively managed products are expected to reasonably track a stated benchmark. Actively managed products should consistently meet their respective benchmarks over various long-term periods.

- (4) The Contractor will manage underlying investments as a fiduciary for Maryland\$aves and for Program participants in accordance with applicable State and federal laws and regulations.
- (5) The Contractor will cooperate and communicate with Maryland\$aves and its consultants in all evaluations of the underlying investments, the Program's investment options, and periodic audits.
- (6) The Contractor must provide investment vehicles legally permitted for IRAs.
- (7) Investment funds will be managed in accordance with the approved investment management guidelines.
- (8) The Contractor will maintain a system of adequate risk controls, including but not limited to a compliance monitoring system and an operations risk management system to ensure compliance with account guidelines and all applicable State and Federal laws and regulations.

(b) Fees

- (1) Maryland\$aves is receptive to receiving an investment fee structure proposal that is comprised of asset-based fees.

(c) Minimum Qualifications for Investment Managers

Below are the minimum qualifications expected by Maryland\$aves of successful proposers. Maryland\$aves may in its sole discretion choose to negotiate with a proposer that does not meet all of these qualifications. If you wish to be considered under these circumstances, please consult with the Maryland\$aves Contact well in advance of any submission.

- (1) Minimum of \$2 billion in assets under management as a firm
 - (i) *Please indicate the total assets under management by your firm over the last 5 years (e.g., January 1, 2015 through December 31, 2019).*
- (2) Minimum strategy assets of \$500M
 - (i) *Please indicate the total strategy assets under management for the proposed strategies over the last 5 years (e.g., January 1, 2015 through December 31, 2019).*
- (3) All applicable federal licenses and registrations necessary to comply with applicable federal and state laws for businesses offering securities, investment and retirement products (e.g., SEC registered Investment Advisor, a U.S. regulated bank or an Investment Company and/or Broker/Dealer, as applicable). All licenses and registrations must be current and in good standing.
 - (i) *Please indicate all applicable federal licenses and registrations that you currently hold.*
- (4) Proposed investment vehicles must have 3-year track record as of December 31, 2019.
- (5) Performance must be GIPS compliant.
- (6) Proposed investment vehicles must be available for an IRA investment.
- (7) Firm must be able to furnish audited financial reports for the past two years.

3.3 Contract Term

We expect the initial term of the Contract will be for up to ten (10) years, with Maryland\$aves having the right but not the obligation to extend for one or two years. However you may propose a different term if that is critical to your proposal.

4. PROPOSAL FORMAT

4.1 Submission of Proposal

Please email your submission (the "Proposal") to the Contact identified in Section 5.3 of this RFP prior to the date and time for receipt of Proposals (see Section 5.2 for "Schedule of Events") and indicate:

- The RFP title
- Name and address of the Proposer

In addition to the emailed submission, please provide an electronic version of your Proposal on a USB Flash/Thumb Drive to the Contact identified in Section 5.3 of this RFP no later than one business day following the date and time for receipt of Proposals.

The Proposal shall include the following documents and information in the order specified below. The RFP sections must be numbered for ease of reference. Each section of the Proposal shall be separated as detailed below:

(a) Title Page and Table of Contents

The Proposal should begin with a Title Page bearing the name and address of the Proposer and the name of this RFP. A Table of Contents shall follow the Title Page for the Proposal, organized by section, subsection, and page number.

(b) Claim of Confidentiality (If applicable)

Any information which is claimed to be confidential is to be noted by reference and included after the Title Page and before the Table of Contents. The entire Proposal should not be given a blanket confidentiality designation. Any confidentiality designation must apply to specific sections, pages, or portions of pages of the Proposal.

(c) Transmittal Letter

The Transmittal Letter should include the following:

- (1) Name and address of the Proposer
- (2) Name, title, e-mail address, and telephone number of primary contact for the Proposer
- (3) RFP title that the Proposal is in response to
- (4) Signature, typed name, and title of an individual authorized to commit the Proposer to its Proposal
- (5) Acceptance of RFP requirements; any exceptions must be noted
- (6) Acknowledgement of all addenda to this RFP

(d) Bid Indication Form

The Proposer shall complete a signed Bid Indication Form in Attachment 7.1.

(e) Minimum Qualifications Certification

The Proposer shall complete and submit a signed Attachment 7.2.

(f) Substantive Response

The Substantive Response outlined in Section 4.2 (including proposed fees in Section 4.2(h)) below should be prepared in a clear and concise manner and address all requirements and services set forth in this RFP. The ideal response would restate each question and then list the Proposer’s response, item by item so that an evaluator can read the requirement followed by the response.

4.2 Substantive Response

**(a) Organization, Experience and Legal Matters
(All Proposers respond)**

- (1) Please identify all parties in your proposal, including affiliates, subsidiaries, subcontractors and other entities, and the required services that each will provide.
- (2) Please identify the entity that will serve as the Contract party. If the Contract party is not a parent entity, please indicate whether you will provide a parent guarantee, a letter of credit, surety bond or another suitable alternative to ensure performance.
- (3) Provide an organizational chart identifying all key personnel who will be responsible for services pursuant to this RFP, including the professional who will have day-to-day responsibility for the engagement. Please provide a brief bio for each individual.
- (4) What is the primary location that will be used to provide the required services?
- (5) Indicate your relevant experience offering IRA, defined contribution or other participant-directed services in the table below. The chart should include relevant information for any subcontractors.

Plan Name and Type	Your Firm’s Role	Assets	Accounts
		(as applicable)	

- (6) Is your firm registered or exempt from registration under the Investment Advisors Act of 1940 (the “40 Act”)? Provide a link to your FORM ADV or Proof of Exemption in Attachment 7.3. Please also provide your firm’s Securities and Exchange Commission (“SEC”) file number.
- (7) Provide links to SEC and other regulatory filings for your last three complete fiscal years and quarterly filings in the current fiscal year, if any, in Attachment 7.3. If you are not current on SEC and other regulatory filings, please explain.

- (8) Provide a link to your audited financial statements for the past two calendar or fiscal years in Attachment 7.3. If you don't have audited financial statements, provide two years of financial statements as attested to or certified as to accuracy by your Chief Financial Officer.
- (9) Provide copies of the most recent SOC1 and SOC2 Type 2 reports covering the activities of the applicable services to the Program. In addition, list any substantive issues raised in these reports and steps taken to address such issues. If your response includes subcontractors, please describe your oversight and risk management procedures to ensure each subcontractor's operating effectiveness with respect to Controls Over Financial Reporting as well as Trust Services Principles. To the extent you or your applicable subcontractor(s) do not have either of the SOC1 or SOC2 reports, please explain why and describe your plans to provide such reports in the future.
- (10) Please provide a copy of the most recent review by a government agency or regulatory body of your firm that relates to the services sought by Maryland\$aves (i.e., SEC audits).
- (11) Please address the following legal matters for your firm, any subcontractors, or an affiliate of either (the "Related Parties"; where applicable, you are also asked to address certain individuals):
- (i) Describe in detail any and all pending or threatened criminal or civil investigations ("Investigations") or litigation or arbitration ("Litigation") by the U.S. Department of Justice, the SEC, the New York Stock Exchange, FINRA or any other self-regulatory organization, any state attorney general or state securities commissioner, or any other regulatory body or investigative agency applicable to services (e.g., mutual fund, investment management, underwriting, program management or administration) proposed to be provided (include in this response the respective directors, officers, or employees of the Related Parties).
 - (ii) Describe in detail any other pending investigation, litigation, arbitration, or proceeding (not already disclosed in response to subparagraph (a) above) asserting violations of federal or state statutes or regulations or other illegal or unlawful conduct (the "Proceedings"; include in this response the respective directors, officers, or employees of the Related Parties).
 - (iii) Have there been any such Investigations, Litigation, or Proceedings since January 1, 2015? If so, please describe the current status and/or the results of any Investigation, Litigation, or Proceeding, including a full explanation of the circumstances.
 - (iv) Describe in detail if the Related Parties, or the respective directors, officers, or employees have ever been involved in an investigation, litigation, arbitration, or proceeding disclosed in response to subparagraphs (a) or (b) of this section in which it was determined (or was alleged in the case of an Investigation, Litigation, or Proceeding that was settled without an admission of a violation) that there was a violation of fiduciary duty. Describe in detail, including what measures you, any subcontractors or affiliates have undertaken to prevent the future occurrence of such a fiduciary violation or alleged fiduciary violation.
 - (v) Describe in detail any terminations for cause from any contract involving similar services to be provided by your firm, subcontractors or any

affiliates since January 1, 2015. Cite background of the contract, reason for termination, and remedies you have employed to preclude similar circumstances from reoccurring.

- (vi) Describe in detail if you or a subcontractor has an actual conflict or potential conflict of interest with respect to the services to be provided pursuant to this RFP. If an actual or potential conflict exists, describe in detail how you or the subcontractor intends to address, manage, or mitigate the conflict.
 - (vii) Describe in detail if you, a subcontractor, or any affiliate of either one has ever filed for protection under federal or state bankruptcy laws. If the answer is yes, advise whether any of its financial assets or other property is the subject of any court supervision, court order, or agreement of any kind. Provide a full explanation of the scope of such supervision, order, or agreement.
- (12) Provide at least three (3) references from clients who the entities in your response (including subcontractors, if applicable) have served since January 1, 2015. Complete the following table for each reference. The Contact reserves the right to request additional references or utilize references you have not provided.

	Client 1	Client 2	Client 3
Name and Title of Reference			
Telephone			
E-mail			
Description of Services Provided			
Length of Service (Dates)			

(b) Account Administration
(Program Administrators and Program Managers respond)

- (1) Provide samples of the following documents, if applicable and available, in Attachment 7.4. If not available, please explain how you will produce these documents for Maryland\$aves.
 - (i) IRA enrollment and beneficiary designation forms
 - (i) Operation Manuals
 - (ii) Program Disclosure Statements
 - (iii) IRA Disclosure Statement and Custodial Agreement
- (2) Provide a detailed task list, schedule and plan for how you will approach the Program launch process. Maryland\$aves anticipates a pilot launch by the fourth quarter of 2020 and a full Program launch during the first quarter of 2021. Identify any conditions or incidents that may delay this timeline.
- (3) Describe your firm’s ability to provide materials in Spanish or other languages.
- (4) Please indicate your willingness to negotiate and develop proposals for services in the event the Board should desire to engage with another state or states to provide Program services.
- (5) Describe in detail your experience providing legal and regulatory compliance support to private Employee Retirement Income Security Act (“ERISA”) or IRA retirement plans/accounts, or, if no direct retirement plans/accounts experience, to state-run retirement programs (“SRRP”), 529, or ABLE programs. Specifically, address the following topics:

- (i) Industry best practices for IRA administrators
 - (ii) Compliance with IRS statutory and regulatory requirements and IRS guidance applicable to Individual Retirement Accounts under Sections 408 and 408A of the Internal Revenue Code
 - (iii) Applicable federal tax and securities laws
 - (iv) SEC, and Municipal Securities Rulemaking Board (“MSRB”) rules and regulations
 - (v) Development of program disclosure statements and amendments
 - (vi) Development of applicable IRA documents
 - (vii) Review and preparation of online and print marketing and sales literature
 - (viii) Internal controls and compliance audits
 - (ix) Support to state mandated audits
 - (x) Interpretation of federal and state legislation and regulation
- (6) How does your firm ensure compliance with all legal requirements related to the marketing and sale of securities, including accuracy of representations, adequacy of disclosures, and accountability for accuracy and adequacy of disclosures in Program documents, brochures and other promotional media and with respect to oral communications?

(c) Employer Payroll Interface
(Program Administrators and Program Managers respond)

- (1) Describe your experience with registering, onboarding, and servicing multiple employers across various payroll systems into any retirement savings program, including, for example, 403(b) plans, 457(b) plans, SIMPLE IRA programs or payroll deduction IRAs. Proposals should include detail on how the payroll interface connections work with the various payroll systems used by employers of various sizes.
- (2) Describe the process in which your firm accepts and remits payroll contributions and notifies employers to change a payroll contribution.
- (3) Which payroll deduction processes must be done manually?

(d) Recordkeeping
(Program Administrators and Program Managers respond)

- (1) Describe the IRA custodian’s recordkeeping/IRA custodial platform that would be used for Maryland\$aves. How long has the recordkeeping system been used? Would any modifications to the system be necessary to support Maryland\$aves?
- (2) Describe the proposed enrollment processes. Please be sure to include:
 - (i) What are employer and employee responsibilities in this process?
 - (ii) Which enrollment processes must be done manually?
 - (iii) How would you ensure that employees contributing through multiple employers have a single IRA account in the Program?
 - (iv) How will you provide employees information about Maryland\$aves and their right to opt-out?
 - (v) Please include the format through which an employer would export data to your platform.
- (3) Describe the processes in which your firm:

- (i) maintains accounts
 - (ii) accepts and remits contributions (including rollovers)
 - (iii) complies with IRA contribution limits, including the return of excess contributions
 - (iv) changes contribution levels (based on employee requests)
 - (v) changes investment elections (based on employee requests)
 - (vi) executes distributions in an accurate and timely manner
 - (vii) execute managed withdrawal options
- (4) Describe how your platform would support the default Managed Payout Option and the Accelerated Payment Option.
 - (5) Describe your ability to create customized retirement income calculators incorporating retirement balances and expected Social Security benefits. Please address each of these functions in both a paper-based and electronic-based system.
 - (6) Discuss your disaster recovery policy and procedures. When were the most recent tests done?
 - (7) Describe your firm’s policies and procedures regarding data encryption, cyber security and other measures to prevent unauthorized access or fraud.

(e) Customer Service and Call Center
(Program Administrators and Program Managers respond)

- (1) Please describe your web-based customer service.
- (2) Please describe your ability to offer a fully functional mobile application. How will you implement such an application and what functionality will it include?
- (3) Please describe your call center services, including the number of call center representatives and their location. Indicate any additional staffing your firm would need if you are engaged by Maryland\$aves.
- (4) Please describe the foreign language capabilities of your website, mobile app, customer call center and printed materials.
- (5) Describe your methodology for handling peak volume call center periods.
- (6) How do you monitor service quality? What type of processes do you have in place to address deficiencies in service quality?
- (7) What Program information will you provide online to employers and what tools will you provide online to employees?
- (8) Will you offer live chat functionality on the employee website?
- (9) Describe your call center performance statistics for at least three similar plans for the 12-month period ended December 31, 2019 in the following table:

	Plan Name	Plan Name	Plan Name
Number of calls			
Number of calls answered			
Number of calls abandoned			
Average wait time			
Average talk time			
Average hold time			

- (10) What type of training, including IRA-specific requirements, will you provide your customer service representatives initially and on an ongoing basis?
- (11) Please describe the relative use of web-based and call center customer service.
- (12) Please describe how you measure quality and customer satisfaction, and your performance on those measures.

(f) Communication, Outreach and Education
(Program Administrators and Program Managers respond)

- (1) Describe the resources you will make available to support enrollment meetings, and provide Program education and employer platform assistance to eligible employers. How will you gauge their effectiveness?
- (2) What financial literacy tools and materials would your firm provide to engage and educate eligible employees and participants? How would you explain the investment options to employees?
- (3) The Board expects to include a strategy whereby participants could use Maryland\$aves assets to defer receiving Social Security benefits, thereby increasing Social Security income during retirement. How will you train your call center representatives and on-the-ground resources to ensure they properly communicate advanced Program benefits such as these to employees?
- (4) Describe the steps you take, if any, to provide education on the impact of retirement savings on public benefits (e.g., Medicaid or Food Stamps)?
- (5) What financial planning services do you offer that could be offered to participants in Maryland\$aves? Are these services online, by phone or in person? Would there be an additional fee for these services?

(g) Investment Management Proposals
(Investment Managers and Program Managers respond)

Maryland\$aves intends to offer participants an array of investment options including a target date fund serving as default and a core line-up consisting, at minimum of income, growth, and capital preservation options. Please use the below descriptions as a reference for asset classes that the Board has specific interest in evaluating. Use of passive management for the core lineup is likely, but actively managed proposals are also welcome.

- Income – Benchmarked to Barclays Aggregate Index or similar
- Growth – Benchmarked to Russell 3000, MSCI ACWI ex US, MSCI ACWI or similar
- Capital Preservation – Benchmarked to 90-day t-bill or similar
- Target Date Funds – Benchmarked to S&P target date index or similar

Strategy

- (1) What are the names of the products/strategies being proposed? Provide the appropriate ticker or CUSIP for the proposed investment vehicle.
- (2) What are the stated benchmarks and the expected tracking error range and targeted outperformance (alpha) of your product portfolio relative to the benchmark?
- (3) Describe what circumstances or market conditions would favor your investment strategy. When can it be expected to be out of favor or be unrewarded vs. the benchmark?
- (4) Describe your portfolio construction process including limits on securities, sectors, geographies, or other relevant levels
- (5) For each passive product please indicate the index replication technique used in the following table:

Fund	Index replication technique used
Fund 1	Full replication/stratified sampling/optimized
Fund 2	Full replication/stratified sampling/optimized

- (6) Is securities lending used for any proposed products? If it is, please provide the split in securities lending revenue between the fund and any other parties.
- (7) Is the performance history GIPS compliant? If yes, has the performance history been verified by an independent auditor?
- (8) Describe the software packages or tools used to manage investment risk. Please provide details on whether these are internally developed or externally sourced (with the package name) and whether these are owned and maintained by your firm.

Target Date Funds

- (9) What is your process to design a glide path? At what age is the final equity landing point? Note that Maryland\$aves would like to encourage proposals of funds with a glide path that goes through retirement and maintains a significant risk allocation during retirement, but will consider all commercially-available target date type funds.
- (10) What is the frequency you re-evaluate your strategic asset allocation?
- (11) Do you utilize tactical asset allocation? Tactical asset allocation can be defined by any changes to the strategic asset allocation due to market events. Even if changes are determined using longer time horizon metrics, we would still consider it a tactical move if it was a result of a recent market event.
 - (i) If yes, what is your tactical asset allocation objective?
 - (ii) Please describe the permitted tactical allocation bands
- (12) Is your asset allocation implementation active, passive or a blend?
 - (i) If active managers are used, what is your manager research process?
 - (ii) What was the last manager change you made and why?
- (13) Please provide a chart with the asset class diversification for the TDFs across all vintages of the product suite.
- (14) If your fund uses an open architecture platform for the underlying funds used within the target date funds, please note the:

- (i) Percentage of assets managed by an outside firm across your fund vintages.
 - (ii) Percentage of actively managed funds being managed by outside firms across the fund vintages
- (15) Please state the number of underlying funds used in each vintage of the target date funds. Please provide the strategy names for each underlying fund.

Retirement Income

- (16) Maryland\$aves is keenly interested in providing retirement income solutions for participants. Please describe any products available to an IRA investor that may be appropriate for Maryland\$aves (e.g., TDF with deferred annuity, managed payout, etc.)

Business

- (17) Describe the firm’s current ownership structure, including economic and voting interests at present. Please indicate if there have been any significant changes to the ownership structure since January 1, 2017.
- (18) What is the percentage owned by employees? What is the distribution of ownership? What is the breakdown of equity?
- (19) Please outline assets, flows, and ownership changes in the fund(s) under review over the trailing three-year period as of December 31, 2019.
- (20) Please describe any mergers, acquisitions, or divestitures related to the asset management group since January 1, 2017.

Staff

- (21) List the total number of employees in your organization. Also include the number of investment professionals (portfolio managers, analysts, traders, etc.) who work directly on the products being proposed.
- (22) Describe the structure of the investment management team. Include the following information:
- (i) Name(s) and profile(s) of key decision maker(s). Be specific—identify the individual(s) who actually make(s) buy and sell decisions.
 - (ii) Lead portfolio managers and tenure
 - (iii) Portfolio manager’s backup and tenure
- (23) Discuss your organization’s compensation and incentive program. How are professionals evaluated and rewarded? What incentives are provided to attract and retain superior individuals?
- (24) Provide the names of all investment professionals who have worked on the proposed product(s) and have resigned, been terminated, or transferred/rotated to another department since January 1, 2015 . Provide a brief explanation for each departure. List any replacements for these vacancies.

Name/Title	Resignation/ Termination/ Rotation/ Retired	Date	Reason(s)	Years of Experience at Time of Departure	Name of Replacement

(h) **Fees**
(All Proposers respond as indicated below)

Proposers must complete applicable tables below to show all Administration or Investment Fees, as applicable, for your Proposal. If you are proposing additional or alternative fee components, add additional rows in the applicable tables, and specify how the fee will be charged. Note that any Administration or Investment Fees not included in your responses to this Section 4.2 (h) **will not** be eligible to be charged. Responses to this Section 4.2 (h) will be evaluated as described in the Categories of Review and Evaluation Criteria included in Section 6.

(1) **Fees related to Program Administration Services**
(Program Administrators and Program Managers respond)

- (i) **Fee Structure** – MarylandSaves is receptive to receiving an administrative fee structure proposal that is comprised of asset-based fees, dollar-based fees or a combination of both. Proposers may also include separate fees for specific services such as providing financial advice concerning options at retirement age, etc.
- (ii) **Requirements for Administration Fees** – Under the MarylandSaves statute, the Program must both (a) be self-sustaining from fees charged to savers, and (b) “ongoing” administrative expenses may not exceed 0.50% of total Program assets. After consulting with legal counsel, MarylandSaves determined that the 0.50% administrative cap does not apply until the Program garners sufficient funding for operations to be self-sustaining, nor to the costs in establishing and launching the Program or during the initial post-launch operations. It also does not apply for additional services to participants such as providing investment education or financial planning. In proposing fees, Proposers should specify the level of assets or accounts after which the ongoing administrative fee cap would apply. **(Note: the administrative fee cap does not apply to Investment Management services.)**
- (iii) **Administration Fee Breakpoints** – Proposals must include a breakpoint schedule that reflects the impact of higher platform and marketing expenses expected in the initial years and the benefits of economies of scale as assets grow over time. The breakpoint schedule must extend beyond the level at which proposers suggest the 0.50% cap on administrative expenses would apply.
- (iv) **MarylandSaves Administrative Expense** – To meet the self-sufficiency requirement of its authorizing legislation, MarylandSaves will impose a fee for its expenses. These expenses could be as much as 0.05% of assets. They will be subject to and included within the 0.50% cap once it applies.

Complete the relevant cell(s) in the following table. If your firm is proposing Program Management services and also offering to provide stand-alone Program Administration services, complete all cells in the table. Identify whether the fee(s) charged is (are) dollar-based, asset-based or a combination

of both. The table must include additional rows to show your firm’s proposed breakpoint schedule, including breakpoint levels and fees. The breakpoint schedule must include the proposed asset or account thresholds that would apply to an administration fee of 0.50% and beyond. Create as many rows as needed to provide the proposed breakpoint schedule.

Program Administration Fees (Dollars, Basis Points or Both)		
Asset or Account Level	Program Administrator	Program Manager
[Initial Assets or Accounts]	[Insert Proposed Fee]	[Insert Proposed Fee]
[Asset or Account Threshold]	[Insert Breakpoint Fee]	[Insert Breakpoint Fee]
[Asset or Account Threshold]	[Insert Breakpoint Fee]	[Insert Breakpoint Fee]
[As Applicable]	[As Applicable]	[As Applicable]

Note: If your bid includes dollar-based Administration Fees, those Fees will be converted to basis points assuming an average account size of \$5,778, which is the average account balance of funded accounts after five years in the Base Case shown in Section 2.3 of this RFP.

Additionally, provide any additional transaction-related or other fees that could be charged to participating employees. Any transaction-related fees not included in your response will not be eligible to be charged.

(2) **Fees related to Investment Management Services**
(Investment Manager and Program Managers respond)

For each specified investment option shown below, identify the proposed underlying investment and its associated total expense ratio.

Investment Fees			
Investment Option	Underlying Investment	Ticker	Total Expense Ratio (Basis Points)
To come			

4.3 Required Attachments

- (a) Attachment 7.1 Bid Indication Form – Each Proposer would use this Form to indicate the services for which it is bidding.
- (b) Attachment 7.2 Minimum Qualifications Certification
- (c) Attachment 7.3 Additional Required Information (Financials, SEC Filings, Form ADVs, etc.)
- (d) Attachment 7.4 IRA Documents

5. PROCUREMENT PROCESS AND PROCEDURES

5.1 Summary Statement (Bidding Options)

Proposers must complete Attachment 7.1 to indicate the role(s) for which they are responding to this RFP. Multiple proposals are acceptable. For example, a Proposer proposing to provide Program Management Services may also propose to provide stand-alone Program Administration or Investment Management Services. The evaluation process will take into account all bids and compare the most attractive options in each of the Program Administration and Investment Management Services versus the most attractive bid for Program Management Services. Finally, a Proposer will not in any way be penalized for submitting a bid for one set of Services over another.

5.2 Schedule of Events

Event	Date
Solicitation Issue Date	March 5, 2020
Proposer's Conference Call	March 16, 2020 at 2:00 PM ET
Deadline for Receipt of Questions	March 19, 2020 by 2:00 PM ET
Answers to Questions Posted	March 23, 2020 by 5:00 PM ET
Proposal Due Date	April 17, 2020 by 2:00 PM ET
Oral Presentations	Week of May 4, 2020
Tentative Contract Award	June 2020
Launch of Pilot	Q4 2020
Launch of Program	Q1 2021

5.3 Contact

The Contact listed below monitors the daily activities of the Contract and provides technical guidance to the Contractor.

John Wasilisin, CEO & Executive Director
Maryland Small Business Retirement Savings Program
11350 McCormick Road
Executive Plaza III, Suite LL12
Hunt Valley, MD 21031
(410) 403-2785
jwasilisin@marylandsaves.org

All responses delivered via express carrier must be addressed to the Contact at the address provided above. Any inquiries or requests regarding this procurement should be submitted in writing to the Contact. Proposers may contact ONLY the Contact regarding this procurement unless the Contact directs otherwise in writing.

5.4 Proposer's Conference Call

An optional pre-proposal Proposer's Conference Call is scheduled for **March 16, 2020 at 2:00 PM Eastern Time** to discuss the Program generally. Potential proposers should call 1-413-338-2173, PIN 724 939 455# to participate.

5.5 Questions and Answers

All Proposers should direct their questions and inquiries to Maryland\$aves CEO, John Wasilisin. **Questions must be submitted in writing via email to jwasilisin@marylandsaves.org no later than 2:00 PM Eastern Time on March 19, 2020.** Oral questions will be permitted only if the Contact agrees in advance in writing. If the questions or inquiries pertain to a specific section of the RFP, Proposers must reference the relevant page and section number(s).

Answers to all written questions received by **2:00 PM Eastern Time on March 16, 2020** will be available online at <http://www.marylandsaves.org/procurement/> by **5:00 PM Eastern Time on March 23, 2020.**

5.6 Submission Requirements

To be considered for award, Proposers must submit to the Maryland\$aves Contact an electronic version of the proposal via email to jwasilisin@marylandsaves.org. All submissions shall indicate the RFP Title and the Proposer's name and address. **Proposals must be received by the Maryland\$aves Contact no later than 2:00 PM Eastern Time on April 17, 2020.**

Additionally, within one business day, each Proposer must provide to the Contact an electronic version of the Proposal on a Universal Serial Bus/USB Flash/Thumb Drive at the address below:

John Wasilisin, CEO & Executive Director
Maryland Small Business Retirement Savings Program
11350 McCormick Road
Executive Plaza III, Suite LL12
Hunt Valley, MD 21031

For details on Proposal Format, see Section 4 of this RFP.

Maryland\$aves does not anticipate granting requests for extension of the submission date or time. Proposals or unsolicited amendments to proposals received by the Contact after the closing date and time, regardless of the method of their transmission, will not be accepted. The Contact may, in his sole discretion, allow exceptions, but such exceptions must be granted in writing.

5.7 Revisions to the RFP

If it becomes necessary to revise this RFP before the due date for Proposals, the Contact shall endeavor to provide addenda to all prospective Proposers that were sent this RFP or which are otherwise known by the Contact to have obtained this RFP. In addition,

addenda to the RFP will be posted on the Maryland\$aves procurement web page (<http://www.marylandsaves.org/procurement/>). It remains the responsibility of all prospective Proposers to check the Program website for any addenda issued prior to the due date for submission of Proposals. Addenda made after the due date for Proposals will be sent only to those Proposers that submitted a timely Proposal and that remain under award consideration as of the issuance date of the addenda.

Acknowledgment of the receipt of all addenda to this RFP issued before the Proposal due date shall be included in the Transmittal Letter accompanying the Proposer's Proposal (see Section 4.1(c)). Acknowledgement of the receipt of addenda to the RFP issued after the Proposal due date shall be in the manner specified in the addendum notice. Failure to acknowledge receipt of an addendum does not relieve the Proposer from complying with the terms, additions, deletions, or corrections set forth in the addendum.

5.8 Cancellations; Rejection

Maryland\$aves reserves the right to cancel this RFP, accept or reject any and all Proposals, in whole or in part, received in response to this RFP, to waive or permit the cure of minor irregularities, and to conduct discussions with all qualified or potentially qualified Proposers in any manner necessary to serve the best interests of the Program. The Board also reserves the right, in its sole discretion, to award a Contract based upon the written Proposals received without discussions or negotiations.

5.9 Incurred Expenses

Maryland\$aves will not be responsible for any costs incurred by any Proposer in preparing and submitting a Proposal, in making an oral presentation, in providing a demonstration, or in performing any other activities related to submitting a Proposal in response to this solicitation.

5.10 Disposition of Proposals

- (a) Proposals submitted in response to this RFP will become the property of Maryland\$aves. Upon contract award, the selected proposal will be regarded as public records and will be accessible to the public.
- (b) Maryland\$aves has the right to use any or all ideas or concepts presented in any proposal. Selection or rejection of the proposal does not affect this right.
- (c) Proposal packages may be returned only at the Proposer's expense.

6. PROPOSAL REVIEW AND EVALUATION

Maryland\$aves is issuing this RFP for Program Administration and Investment Management Services as a single document, but proposals will be accepted for either or both Services. Proposals for the same Services category (e.g., Program Administration, Investment Management and Program Management) will be reviewed according to the Categories of Review and Evaluation Criteria set forth below. In Maryland\$aves' discretion, we may interview and negotiate terms with one or more proposers in each Service category.

6.1 Qualifying Proposals

The Maryland\$aves staff, along with its consultants, first will review each proposal for completeness of response to requirements contained in Section 4, Proposal Format. Failure to respond to the appropriate questions or in the manner required may disqualify a proposal from consideration.

6.2 Categories of Review

The Program's staff and consultants will review all qualifying proposals (those proposals that are reasonably susceptible to selection for Contract award) received by the submission deadline. They will summarize the proposals from each category and provide an analysis based on the following categories:

- Organization, Experience and Legal Matters
- Account Administration
- Recordkeeping
- Customer Service and Call Center
- Ease of Employer Enrollment and Payroll Connection
- Communication, Outreach and Education
- Investment Team
- Investment Process
- Investment Performance
- Fees as Applicable

6.3 Evaluation Criteria

After the qualifying proposals have been identified, the Program staff, with its consultants and such others as it considers appropriate, will evaluate the merit of each qualifying proposal based on the information provided in the proposal in response to Section 4.2, "Substantive Response."

Each proposal will be evaluated based on the quality of the services proposed to be provided and on the fees proposed, as well as relevant experience and demonstrated ability of the proposer(s). The Program staff's evaluation will reflect information provided in the written proposal as well as obtained during oral presentations, discussions with individual Proposers, and other written clarifications, if any. During the evaluation process, Maryland\$aves may contact proposers to discuss aspects of their proposal and/or possible changes.

Based upon the totality of information provided by Proposers, as well as an analysis of the most effective and efficient structure for the Program and its participants, the Program CEO will recommend and the Board will determine whether to proceed with either (i) a single Proposer providing full Program Management Services or (ii) multiple Proposers providing complementary Program Administration and Investment Management Services. Maryland\$aves will, in its sole discretion, accept a proposal or proposals, or negotiate with proposers to modify their proposal. Maryland\$aves is under no obligation to accept any proposal.

APPENDIX 1
MARYLAND\$AVES MARKET PROJECTIONS

Since these are currently unserved markets and state-supported auto-IRA programs are not yet well-established, Maryland\$aves and its consultants have developed estimates of possible end-of-year assets and participants in the Program over a ten-year period.

	End-of-Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Base Case	Assets (\$B)	\$0.03	\$0.17	\$0.6	\$1.2	\$2.2	\$3.3	\$4.7	\$6.4	\$8.3	\$10.3
	Funded Accounts (000's)	36	148	296	362	377	381	384	386	388	390
Low Sensitivity	Assets (\$B)	\$0.03	\$0.13	\$0.4	\$0.8	\$1.3	\$2.0	\$2.8	\$3.7	\$4.7	\$5.8
	Funded Accounts (000's)	36	99	170	200	208	210	211	212	213	214
High Sensitivity	Assets (\$B)	\$0.03	\$0.21	\$0.8	\$1.7	\$3.1	\$4.8	\$6.9	\$9.3	\$12.1	\$15.1
	Funded Accounts (000's)	36	201	432	535	558	566	569	572	575	578

These estimates are based upon: available data about Maryland’s working population and the portions that are not currently offered workplace savings; experience in Oregon, which started the first such auto-IRA program, employer sign-up rates and employee opt-out rates; experience in rolling out services to small businesses; and projected investment returns. This Appendix describes the information used and assumptions made.

The primary differences between the Base Case and the Sensitivities relate to the percent of employers assumed to sign up and the percent of employees assumed not to opt-out. These estimates were developed based primarily on the initial experience of the OregonSaves Program.⁴

Assumption	Low Sensitivity	Base Case	High Sensitivity
Employee Opt-Out Rate	50%	40%	33%
% of Employers Enrolling at end of 3-year ramp-up period	33%	50%	67%

The Target Population for Maryland\$aves

- 1) The Center for Retirement Research at Boston College (“CRR”) provided estimates of the Maryland working population, both full-time and part-time, that currently do not have workplace retirement savings: In 2019 there were 1,242,528 Maryland workers without access to an employer-sponsored retirement plan. Of those, an estimated 1,011,418 work

⁴ “Participation And Leakages In Oregon’s Auto-Ira”, Laura D. Quinby, Wenliang Hou, Anek Belbase, and Geoffrey T. Sanzenbacher, November 2019. (CRR 2019)

full-time and 231,110 work part-time.⁵ See **Table 1** on the following page. Maryland's population growth is estimated to increase at a rate of 0.5% annually.⁶

- 2) CRR also provided estimates of average yearly earnings: full-time workers in Maryland had average annual earnings of approximately \$35,000 in 2014. The average yearly earnings of part-time Maryland workers (<35 hours per week) was \$12,595.⁷ See **Table 2** on the following page. Wage inflation is projected at 3% annually.⁸

Program Design and Rollout Assumptions

- 1) The Program will be rolled out over a period of three years.
- 2) 5% of eligible workers are projected to be enrolled in MarylandSaves in Year 1.
- 3) Default contribution rate is 5%.
- 4) There is a 5-month lag from employee enrollment to first contribution. This assumption is used to determine the number of funded accounts at the end of the year.⁹
- 5) The default funding for the Emergency Savings Account (a money market fund) is \$1,000. After account balance reaches \$1,000, additional contributions will be made to the applicable target date fund. If withdrawals are taken from the Emergency Savings Account, future contributions will be directed to replenish the Emergency Savings Account balance to \$1,000, and thereafter contributions will be directed to the target date fund.
- 6) Auto-escalation rate is 1% per year until capped at 10%.
- 7) The auto escalation opt-out rate is projected at 5% of participants.¹⁰
- 8) The projected annual return rate for the target date fund is assumed to be 6.2%. The projected return rate for the money market fund is assumed to be 1.4%.¹¹

⁵ CRR calculations from U.S. Census Bureau, *Current Employment Statistics* (2019); and *Current Population Survey* (2014, 2018).

⁶ This is a conservative estimate, as the Maryland Department of Planning, Projections and State Data Center estimate that the Annualized Population Growth rate will be 0.63% from 2020-2025 and 0.57% from 2025-2030. <https://planning.maryland.gov/MSDC/Documents/popproj/TotalPopProj.pdf>

⁷ Maryland Employee Earnings and Hours Worked by Coverage Status, 2014, The Center for Retirement Research at Boston College.

⁸ The Budget and Economic Outlook: 2020 to 2030, Congressional Budget Office, January 28, 2020. <https://www.cbo.gov/publication/56020>

⁹ CRR 2019

¹⁰ CRR 2019. The latest data from OregonSaves indicates an opt-out rate of less than 3% after the Program's first auto-escalation in September 2019. Most participants who made a change, re-set their contribution rate back to 5%.

¹¹ Aon Hewitt Investment Consulting, Inc., 4Q 2019 10-Year Capital Market Assumptions. For target date fund returns, a representative asset allocation for 2035 is utilized.

Table 1. Private Sector Workers in Maryland by Coverage Status, 2019

Coverage status	Number	Percent
Non self-employed	2,148,140	94.1%
Covered and Participating	907,979	39.8%
Not eligible or Not Participating, NOT eligible for Maryland\$aves	131,892	5.8%
Not eligible or Not Participating, eligible for Maryland\$aves	131,892	5.8%
No plan at work	976,376	42.8%
Self-employed	134,260	5.9%
Total private sector	2,282,399	100.0%

Note: Excludes non-incorporated self-employed workers. Sum of highlighted status categories used in projection models to determine number of potential program participants.

Sources: The Center for Retirement Research at Boston College calculations from U.S. Census Bureau, *Current Employment Statistics* (2019); and *Current Population Survey* (2014, 2018).

Table 2. Maryland Employee Earnings and Hours Worked by Coverage Status, 2014

Hours	No plan at work		With plan	
	Share	Median earnings	Share	Median earnings
1-34	16%	\$12,545	4%	\$21,431
35+	84	\$34,929	96	\$63,074
Total	100%	\$31,326	100%	\$61,334

Source: The Center for Retirement Research at Boston College calculations from *Current Population Survey* (2014).

APPENDIX 2
MARYLAND\$AVES PROGRAM DESIGN MEMO

The Program Design Committee of the Maryland Small Business Retirement Savings Program was charged with developing a program design for Maryland\$aves. After a number of Committee meetings and discussion with its staff and consultants, the Committee developed a recommended program design that is summarized in the following memo. The design was approved by the full Board.



Maryland\$aves

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**Maryland Small Business
Retirement Savings Board**

December 11, 2019

Maryland\$aves Recommended Program Design

The Program Design Committee met throughout 2019 considering the automatic IRA programs of other states, plans offered by private employers, and new offerings from the financial services industry. The Committee also reviewed studies of the financial needs of the people Maryland\$aves will serve. The proposal described below is intended to serve Marylanders who do not currently have access to a workplace retirement program while minimizing the burden on their employers. Key Committee decision points have been bolded for convenience.

Once approved, the proposal moves to the full board for consideration before being incorporated into the request for proposal (RFP). Note that providers will be requested to breakdown program features by cost. In some cases, providers will be allowed to suggest other approaches in addition to what is outlined below, particularly with regard to investment options.

Program Goals

- Maryland\$aves will enable automatic payroll retirement savings for workers whose employers do not provide a retirement plan.
- Maryland\$aves will provide savers with the ability to choose their savings rate and a choice of professionally managed investment options. However, if employees don't

want to undertake the effort involved in making these choices, the Program will provide a default savings rate and investment option.

- The default savings option should, to the extent feasible given currently available retirement offerings, provide adequate retirement security in a cost-effective manner, including lifetime income if feasible.
- Maryland\$aves will develop a program that puts as little burden on employers as possible, through a combination of:
 - Transfer of communications & legal responsibilities from employers to Maryland\$aves
 - Automatic connection to payroll systems
 - Waiver of \$300 State Annual Report filing fee
- Portable: Since the plan savings are held in an IRA, the accounts are owned by the individual workers and they don't lose them when they move from employer to employer.

Choosing How Much to Save

- A person enrolled in Maryland\$aves will be able to choose how much to save from each paycheck or to opt out entirely. However, no person will be permitted to contribute more than the US Internal Revenue Code limits.
- Initially 5% of the employee's pay will be deducted and saved in a retirement account, unless the saver directs otherwise.
- Each year a saver's contribution rate will automatically be raised by 1%, up to a maximum of 10%, unless the saver directs otherwise.
- Under present law, employers cannot contribute to these accounts.
- Savers will be able to withdraw part or all of their contributions at any time, before or after retirement. Contributions can be withdrawn without IRS penalties as these accounts are post-tax. However, earnings on those contributions would be subject to income tax and a penalty if withdrawn before age 59½ or within 5 years of establishing the account. Early withdrawal from an IRA prior to age 59½ is subject to being included in gross income plus a 10 percent additional tax penalty.

How Savings will be Invested

- As required by Maryland\$aves legislation, the Program will offer multiple investment options.
- All options will be professionally managed by experienced private investment management firms.

- Program accounts will be Roth IRA's (i.e., contributions will be after-tax and withdrawals of contributions not taxable). However, the Program will explore the costs and benefits of also offering a traditional IRA via the RFP.

Investment Principles

As it began its work, the Committee established the principles we believe the Board should follow:

- Offer a default option that, as much as possible, is low cost, reliable, and prioritizes the retirement security of participants.
- Keep the program easy to understand and use for employees and employers.
- Keep the total number of investment options limited.
- Ensure that the Program maintains the highest ethical standards.

Default Retirement Savings Option

The default investment option will be a series of target date funds (TDFs), for those who do not elect another option.

TDFs are by far the dominant investment choice in auto-enrolled retirement plans. They work by automatically and gradually adjusting the mix of investments based on a person's expected retirement age. Under the TDF approach, savers will initially be invested largely in securities whose primary purpose is growth (e.g., stock or other equity interests) but which correspondingly have greater volatility. As the person gets older and nears retirement age, the asset mix is shifted gradually to include greater portions of assets that can be relied upon for income and have less volatile value (e.g., bonds and other fixed income investments). The Committee believes that, even through retirement, a TDF that retains a substantial growth (equity) component should be used, since participants are living longer in retirement and will need their assets to continue to grow.

Although the proportions are changed over time TDFs generally include a range of asset classes including US and non-US equities, US and non-US fixed income securities, inflation protection securities and cash.

MarylandSaves will solicit proposals from a range of money managers. Although some form of the TDF approach is preferred, the RFP will allow investment managers to propose alternatives.

Emergency Savings Account

One feature that every state thus far has included in its default is a separate emergency savings account, so that people will not raid their retirement account in the event of an emergency, e.g., medical expenses, car repairs.

It might seem paradoxical to allow pre-retirement withdrawals from a program whose goal is retirement security. However, advocates think having the emergency savings account will give some savers the comfort they need to avoid withdrawing from the program entirely.

Under the default, the first \$1,000 of payroll deduction direct deposits for each participant would go into the emergency savings account. Once this limit is reached, subsequent deposits will go into the default target date fund. If withdrawals are taken from the emergency savings account, then subsequent payroll contributions will go to replenish the emergency account. The choice of the \$1,000 threshold was made based on research showing that lower income savers tend to spend around that amount on emergency outlays.

Other Savings Options

For savers who are more interested in how their contributions are being invested, the Program plans to offer other investment options. The RFP for Investment Managers will request alternative investment options in Capital Preservation, Income Funds and Growth Funds, as was suggested per the MarylandSaves investment consultant. Note that providers will be allowed to suggest alternatives in this area under the RFP.

What Happens at Retirement?

Social Security Maximization (Bridge) Option

Before reaching the age of 62, each saver will be offered the opportunity to maximize their Social Security benefit by choosing to draw down their MarylandSaves account first, so they can delay applying for Social Security.

People who delay claiming Social Security from age 62 to age 70 increase their guaranteed, inflation-protected monthly payment by about 8% per year. A person who delays claiming until age 70 has 85% higher inflation adjusted payments for life. However, most people apply for social security at the earliest possible age, 62, and thereby miss the chance for a much larger payment later. Under this option, MarylandSaves would explain the benefit of later application and enable them to defer their application by giving them reliable (but not guaranteed) monthly income in the meantime. (N.B.: MarylandSaves would explain the benefits and offer the accelerated drawdown option, but would not be involved in a savers actual decision about applying to Social Security.)

Although this approach could improve the retirement security of many, the Committee believes it should not now be a default for several reasons. First, it involves an affirmative action that must be made by the saver alone. Studies have found that, at the time of the Social Security claiming decision, people are much more willing to consider options and solicit outside advice. In addition, taking this option would mean that an individual draws down their MarylandSaves account more quickly. For these reasons, the Program would approach individuals and ask that they make an affirmative choice to accelerate the drawdown of their MarylandSaves account.

Default: Monthly Income Payment

For those who do not choose the Social Security maximization option or some other payout, the default drawdown option will be a managed payout: upon reaching Social Security normal retirement age (67 for most people), savers begin receiving monthly payments in an amount calculated, but not guaranteed, to last their lifetime. Under this proposal, payments would be made directly by the program administrator from a saver's retirement account. Maryland\$aves will, however, consider the alternative of using existing managed payout investment funds via the RFP.

Next Steps

Discussion of the Maryland\$aves program design is the primary agenda item for the full board meeting December 11. Once a program design has been approved by the Board, Maryland\$aves staff will resume discussions with potential program administrators and investment managers. Staff expects to develop and circulate a formal RFP in January.

If, during the solicitation process, the Committee concludes that a program design feature is infeasible in a low-cost program, the Committee will return to the Board with suggestions to modify the program design.

Respectfully submitted,

Program Design Committee

Sarah Mysiewicz Gill, Chair

Marianne Mattran

Jim Rosapepe

Kathleen Kennedy Townsend

Josh Gotbaum, ex officio

**ATTACHMENT 7.1
BID INDICATION FORM**

Indicate below if you are bidding on (1) Program Administrator services, (2) Investment Manager services, or (3) Program Manager services, including both Program Administrator and Investment Manager.

If you are submitting a bid for Program Manager services, but would agree to provide stand-alone Program Administrator services and/or Investment Manager services, you must check all applicable options below. If you do not check additional options, your bid will be considered for Program Manager services alone.

_____ Program Administrator

_____ Investment Manager

_____ Program Manager (including both Program Administrator and Investment Manager services)

The Program staff will review the proposals, including an analysis of the most effective and efficient structure for the Program and its participants in terms of total cost, program administration, complexity and efficiency, and services to employers and employees. The Program staff will determine whether to recommend to the Board a single Proposer or multiple Proposers. Each Proposer is advised to consider carefully the services for which it is submitting this proposal.

ATTACHMENT 7.2
MINIMUM QUALIFICATIONS CERTIFICATION

Below are the minimum qualifications expected by Maryland\$aves of successful proposers. Maryland\$aves may in its sole discretion choose to negotiate with a proposer that does not meet all of these qualifications. If you wish to be considered under these circumstances, please consult with the Maryland\$aves Contact well in advance of any submission.

On a separate page as part of this Attachment 7.2, please respond to the following, as applicable, from Sections 3.1(g), Minimum Qualifications for Program Administrators and 3.2 (c), Minimum Qualifications for Investment Managers :

Minimum Qualifications For Program Administrators

1. Please indicate the number of years that the Proposer has managed or administered IRAs or similar defined contribution retirement programs.
2. Please indicate the total defined contribution plan or IRA assets for which your firm provides recordkeeping and/or program management services.
3. Please indicate the number of (i) defined contribution plans your firm administers and the number of participants in each of the five largest plans or (ii) the number of IRAs or similar vehicles your firm administers.
4. Please indicate all applicable federal licenses and registrations that you currently hold.
5. Please indicate the number of continuous years your firm has been in operation.
6. Please certify that your firm has audited financial reports for the past two years.

Minimum Qualifications For Investment Managers

1. Please indicate the total assets under management by your firm over the last 5 years (e.g., January 1, 2015 through December 31, 2019).
2. Please indicate the total strategy assets under management for the proposed strategies over the last 5 years (e.g., January 1, 2015 through December 31, 2019).
3. Please indicate all applicable federal licenses and registrations that you currently hold.
4. Please confirm that the proposed strategies have a 3-year track record as of December 31, 2019.
5. Please indicate that the proposed performance track record is GIPS compliant.
6. Please indicate that the proposed strategies are available for IRA investment.
7. Please certify that your firm has audited financial reports for the past two years.

The Proposer certifies that it fulfills all the minimum qualifications outlined in Sections 3.1 and 3.2, Minimum Qualifications, as applicable, of this RFP. By signing this attachment, the Proposer also agrees that if selected as the Program Manager for Maryland\$aves, it will notify the Board immediately upon its failure to continue to meet the minimum qualifications.

On behalf of _____, I certify that said firm, (Proposer Name) including any and all partners (if a consortium) and subcontractors, complies with the Minimum Qualifications set forth in Sections 3.1 and 3.2 of the RFP.

(Authorized Signature of Firm)

(Firm Name)

(Print Name)

(Date)

(Title)

ATTACHMENT 7.3
ADDITIONAL REQUIRED INFORMATION (FINANCIALS, SEC FILINGS, FORM ADVS, ETC.)

Provide an online link to the required audited financials, SEC filings and any other required information as requested in this RFP.

ATTACHMENT 7.4
IRA DOCUMENTS

Provide samples of the following documents, if applicable and available:

- i. IRA enrollment and beneficiary designation forms
- ii. Operation Manuals
- iii. Program Disclosure Statements
- iv. IRA Disclosure Statement and Custodial Agreement