Answers to Submitted Questions Regarding Maryland$aves RFP for Program Administration and Investment Management Services

**General Clarifications**

1. **Q:** How does Maryland$aves intend to work with employers who are not covered employers under the current statute? [Reference 2018 MD Senate Bill 1001 legislation, whereby the Board “may evaluate and establish the process by which a noncovered employer, an employee of a nonparticipating employer, or a self-employed individual may enroll in and make contributions to the Program.”]

   **A:** Maryland$aves would like the opportunity to work with the broadest possible range of employers and employees, e.g., gig workers, part-time workers, independent contractors. We are looking for the Program Administrator to propose the implementation of this effort.

2. **Q:** Can you please provide a list of attendees on the proposer call?

   **A:** Maryland$aves is not disclosing this information.

3. **Q:** Is Maryland$aves open to a part onshore part offshore resourcing model to help optimize costs?

   **A:** Maryland$aves’ preference is for services to be provided by US-based resources.

4. **Q:** Can you provide a draft copy of the employer adoption agreement?

   **A:** Maryland$aves expects the Program Administrator to draft the necessary agreements and forms.

5. **Q:** For those payroll providers that are unable or unwilling to fully integrate with the platform, are you willing to have employers submit payroll files via the employer web portal?

   **A:** Maryland$aves would like the Proposer to provide the best solution to receiving contributions from all employers.

6. **Q:** Will your offering include a self-direct brokerage option?

   **A:** Maryland$aves will not include a self-direct brokerage option as part of the initial program offering.
7. **Q: Does the program allow for the rollover in of outside assets?**

   **A:** Yes, the Program should allow for the rollover of assets from an outside qualified plan or IRA.

8. **Q: Do you anticipate the need for employer to employer transfers of account balances?**

   **A:** Maryland$aves expects only one account per participant, which would be portable should a participant change jobs.

9. **Q: Aside from investment managers, advisors and payroll providers, can you provide examples of any third parties that vendors would be required to interface with?**

   **A:** Maryland$aves may engage a marketing partner in the future and, if so, will expect the Program Administrator to interface with that entity.

10. **Q: In order to simplify tax reporting are early withdrawals from the Roth IRA restricted to contributions? If the participant elects to withdraw earnings can we make that conditional on closing the account?**

    **A:** Early withdrawals may not be restricted to contributions. Maryland$aves will not make earnings withdrawals conditioned on account closing.

11. **Q: On page 10 of the RFP can the monthly table be updated with:**

    a. **Total number of employers enrolled**
    b. **Total number of employees enrolled**
    c. **An indication of outgoing communications sent in month (e.g., enrollment wave)**

    **A:** The information provided on page 10 reflects call center data provided to Maryland$aves. We do not have access to additional information regarding employers, employees or outgoing communications.

12. **Q: Please explain what “SOC1 and SOC2 Type 2” Reports are, as referenced in Section 4.2 Substantive Response, Question #9, on page 16.**

    **A:** The System and Organization Controls Reports (“SOC”) is a report on controls at a service organization that are relevant to user entities’ internal control over financial reporting.

13. **Q: How will the program be rolled out?**

    **A:** While there is no launch date prescribed in the legislation, Maryland$aves intends to launch a pilot Program within the fourth quarter of 2020. It is the further intention for a broader Program launch in the first quarter of 2021. However, these target dates are subject to both the Program Administrator and the Investment Manager being ready with their respective Program components. Actual rollout will not occur until all parties are ready to go. We are looking for Proposers to provide a timeline that supports these general dates and a full rollout over a three-year time period.
14. Q: Can we obtain details (spreadsheet model with calculations) that went into projections?

A: Bidders are directed to Appendix 1 of the RFP (pages 29 – 31), including in particular the Target Population for Maryland$aves and the Program Design and Rollout Assumptions.

15. Q: Can Maryland$aves break down eligible Employer / Small Business information by (i) number of employers by size, and (ii) type of payroll service utilized (manual-based, payroll software (ex – QuickBooks, payroll service provider)?

A. (i) The table below shows the total number of Maryland employers as of 2015 as reported by the US Census Bureau. Bidders are directed to Appendix 1 of the RFP for assumptions regarding the percentages of employer and employee participation.

<table>
<thead>
<tr>
<th>Number of Maryland Businesses by Size in 2015</th>
<th>Number of establishments</th>
<th>Paid employees</th>
<th>First-quarter payroll ($1,000)</th>
<th>Annual payroll ($1,000)</th>
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</thead>
<tbody>
<tr>
<td>1 to 4</td>
<td>72,904</td>
<td>122,788</td>
<td>$1,298,703.00</td>
<td>$6,489,549.00</td>
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<td>5 to 9</td>
<td>25,235</td>
<td>167,304</td>
<td>$1,687,514.00</td>
<td>$7,248,436.00</td>
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<tr>
<td>10 to 19</td>
<td>17,789</td>
<td>240,251</td>
<td>$2,477,189.00</td>
<td>$10,602,393.00</td>
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<tr>
<td>20 to 49</td>
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<td>398,730</td>
<td>$4,386,001.00</td>
<td>$18,381,561.00</td>
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<tr>
<td>50 to 99</td>
<td>4,615</td>
<td>316,464</td>
<td>$3,736,541.00</td>
<td>$15,341,783.00</td>
</tr>
<tr>
<td>100 to 249</td>
<td>2,569</td>
<td>381,739</td>
<td>$5,156,620.00</td>
<td>$20,399,377.00</td>
</tr>
<tr>
<td>250 to 499</td>
<td>599</td>
<td>202,616</td>
<td>$3,253,671.00</td>
<td>$12,510,806.00</td>
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<tr>
<td>500 to 999</td>
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<td>123,699</td>
<td>$2,215,146.00</td>
<td>$8,124,774.00</td>
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<td>125</td>
<td>286,226</td>
<td>$5,011,715.00</td>
<td>$19,398,179.00</td>
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<tr>
<td>Total establishments</td>
<td>137,204</td>
<td>2,239,817</td>
<td>$29,223,100.00</td>
<td>$118,496,858.00</td>
</tr>
</tbody>
</table>

Source: US Census Bureau, Geography Area Series 2017

(ii) By type of payroll service utilized:

- According to our 2019 Maryland$aves Employer Survey, 73% of Maryland businesses handle payroll internally, 22% outsource payroll (5% of survey respondents replied “don’t know”).
- Of the employers that handle their payroll internally, 64% use an off-the-shelf software package, 34% claim to use a manual system and 2% of respondents replied, “don’t know.”
- Of the 22% respondents that indicated that they outsource their payroll, more than 42 different companies/services were listed. QuickBooks and ADP were listed by 41% of respondents while all other companies represented 3% or less of total responses.
General Clarification – Fees

16. Q: Will Maryland$aves entertain a performance fee structure?

   A: Performance fees may be considered. All fees and how they will be calculated within the daily valued investment vehicle need to be clearly described.

17. Q: Can the fees charged be a combination of basis points and account fees?

   A: Yes. Fees can be asset-based, account-based or a combination of both.

18. Q: Does the 50 BP cap include the Maryland$aves 5 basis points fee?

   A: Yes. The 50 basis-point cap includes five basis points (0.05%) to cover the State’s administrative fees for Maryland$aves.

19. Q: Would the state be amenable to funding the start-up expenses as a fixed dollar amount? Could this amount be amortized over a period of years?

   A: Maryland$aves would consider proposals that include alternative fee or cost structures. Proposals should include all details related to any proposed alternative structure.

General Clarification – Proposal Submission

20. Q: Given the Coronavirus outbreak, is there a possibility that the oral presentations which are scheduled for the week of May 2nd will be conducted via web conference?

   A: Maryland$aves is following the COVID-19 developments and will reassess the RFP schedule as necessary, including details related to the oral presentations. Any updates or adjustments will be published on the Program’s website and communicated to RFP recipients.

21. Q: Will there be an extension for the Flash Drives to be delivered due to the current situations with COVID-19?

   A: Yes, as long as the electronic copy is received by the 5:00 PM ET April 17 deadline, flash drives should be sent to the Maryland$aves mailing address (11350 McCormick Road, Executive Plaza III, Suite LL12, Hunt Valley, MD 21031) by April 24.

General Clarification – Reporting Fee Waiver

22. Q: What is the strategy if employers do not comply with the mandate for them to participate in Maryland$aves?

   A: Maryland$aves is a mandatory program with a $300 annual report filing fee waiver for employers that participate in the Program or that offer a different qualified retirement savings plan to all their employees. If an employer refused to participate, it would not receive the $300 fee waiver.
23. Q: Will the $300 startup credit be applied every year? Or will it only apply to the year in which the plan sponsor initiates the plan?

   A: The waiver of the $300 annual report filing fee will be available every year that a business participates in Maryland$aves or offers a different qualified retirement savings plan to all their employees.

24. Q: On the phone you mentioned this was a mandate, however it sounds as though there is no penalty at this time, but rather a $300 tax credit for employers who participate. Is this only eligible if an employer enrolls in the state offered product, or if the employer provides another retirement solution (401(k), SIMPLE IRA, private payroll-deduct IRA), would they still receive this benefit?

   A: See the responses to Questions 22 and 23 above.

25. Q: Other than reporting to the plan, will the Program Manager have any additional responsibilities related to the $300 annual credit?

   A: The Program Administrator has no responsibility with regard to the waiver of the annual $300 report filing fee.

**Communication, Outreach and Education**

26. Q: How does Maryland$aves envision the employer’s role in the process to "assist with or support communications with employers to educate employees" (RFP Section 3.1(d)(2), page 12)?

   A: The employer’s role in facilitating the Program is limited to providing employees access to enrollment, providing employee information to the Program Administrator, and then processing the payroll contributions.

27. Q: For participant education, will you require the vendor to provide onsite support for education and/or enrollment meetings, or exclusively online content?

   A: Ongoing on-site education is not a requirement, but some on-site services would be preferred.

28. Q: Under Communication, Outreach and Education, “The contractor must provide communication, outreach and education services...” does that also include on-site education?

   A: See the response to Question 27 above.

**Program Administration**

29. Q: Will online chat be a customer service prerequisite to bidding on this program?

   A: No, online chat will not be a prerequisite to bidding on this Program.
30. Q: In terms of call center support, what specific licenses are you looking for call center reps to have?

A: MarylandSaves would expect call center representatives to have licenses that will allow the Program Administrator to satisfy all applicable laws and regulations.

31. Q: In regard to connectivity with payroll providers – do you have any guidance to how many providers and what type of connectivity (180 versus 360 data sharing)?

A: Forty-two (42) different payroll providers were listed as responses to the MarylandSaves survey of Maryland Employers. 360 data sharing would be preferred, as we believe that would make it much easier for employers to have accurate records, but 180 connectivity may also be an effective tool.

32. Q: Does the administration provider need to provide printed forms, notices, statements, etc., or is eDelivery as a default acceptable?

A: The Program Administrator will need to provide printed forms, notices, statements, etc. to those participants who do not affirmatively opt-in to eDelivery. Default eDelivery is not permitted at this time.

33. Q: Who are authorized third parties under the call center section?

A: The term “authorized third party” is any entity or person who the employee has legally authorized to receive information or act on the employee’s behalf.

34. Q: If I had an investment advisor authorized to work on my behalf, is the record keeper required to investigate and keep documentation?

A: Yes, we would expect the record keeper to require and retain documentation that the third party is legally authorized to receive information or act on behalf of the customer.

35. Q: Are the call center representatives required to be licensed?

A: See the response to Question 30 above.

Investment Management

36. Q: Is the State asking for the collective offering of the Income, Growth, Capital Preservation, and Target Date Funds? Meaning, questions in this section (RFP Section 4.2(g) Strategy and subsections 2 through 8) should be answered for each one of those offerings?

A: Questions in this section should be answered for each type of offering being proposed.
37. **Q:** Is the investment manager the mutual fund company being used? Or is the investment manager the fiduciary who is selecting the funds? Please describe.

   **A:** The investment manager is the investment company for the proposed mutual funds or other investment vehicles.

38. **Q:** Can the mutual fund company be the investment manager, and therefore be subject to the investment minimums?

   **A:** Please provide both Firm AUM and Fund AUM for the strategies proposed. Total AUM at the mutual fund company is appropriate for Firm AUM. Maryland$aves may choose to negotiate with a proposer that does not meet all the minimum qualifications.

39. **Q:** Can we use an independent third party to be the fiduciary for the program?

   **A:** The RFP sets forth certain desired standards of care. Maryland$aves asks each Proposer to describe how it intends to satisfy the RFP’s criteria applicable to the Services for which it is bidding. Proposers may also submit alternatives for Maryland$aves’ consideration.

40. **Q:** Can managers submit multiple target date fund options, specifically active and passive solutions?

   **A:** Yes.

41. **Q:** What types of alternative investments can be proposed? Is this speaking directly about alts or broadly all other asset classes?

   **A:** Alternative as used in this RFP should be read to mean “other” and not a reference to non-traditional asset classes.

42. **Q:** Are there any ESG considerations or any interest in an ESG option for the cash component?

   **A:** ESG may be considered but is not a specific priority for Maryland$aves.

43. **Q:** In general, does the program have any ESG considerations to consider or include in our responses?

   **A:** See the response to Question 42 above.

44. **Q:** Is the cash component portion of the opportunity limited to just one money market fund?

   **A:** Maryland$aves is asking Proposers to submit proposals they believe would be most appropriate for a capital preservation option, which will be used as a stand-alone investment option as well as the emergency savings portion of the Program default.
45. Q: Do you have investment guidelines for what meets your criteria for the investment option of the core (cash) component?

   A: No specific investment guidelines have been created in advance of the fund selection. The primary objective of the capital preservation option is to maintain stability of principal. A secondary goal is investment income.

46. Q: Is there a preference to Government vs Prime, constant NAV vs floating NAV?

   A: Maryland$aves would prefer Government over Prime money market funds.

47. Q: Are there any restrictions on any particular investment and security types?

   A: Mutual funds have been the primary vehicle used in other state-run, Secure Choice plans to date. Maryland$aves is willing to explore other investment vehicles if permissible under current IRA rules and applicable law and regulations. The Program will be subject to rules governing IRAs. Investment vehicles must be daily valued.

48. Q: Section 2.2 (5) (i): Can you clarify what you mean by “glidepath extends beyond normal retirement age”? We interpret that to mean that Maryland$aves would like a manager that builds their glidepath for participants throughout retirement.

   A: Maryland$aves desires a default solution where participants maintain meaningful exposure to return-seeking assets throughout retirement.

49. Q: about 3.2(a)(4) on page 13

   Please confirm that the requirement that an investment manager be a fiduciary will be met if the investment manager serves as an investment adviser to a registered investment company (mutual fund) under the Investment Adviser Act of 1940 with a fiduciary duty to mutual fund shareholders as a whole under applicable federal law, and that it is not required that the investment manager put the interests of Maryland$aves investors ahead of other investors in mutual funds that may be proposed.

   A: Confirmed.

50. Q: about 3.2(a)(7) on page 13

   Please confirm that if a mutual fund is selected as the investment vehicle for the program, that management of the mutual fund in accordance with its prospectus (and applicable federal law) will satisfy 3.2(a)(7).

   A: Confirmed.
51. Q: Given the fee sensitivity and desire for target date funds (section 2.2 (a)(5)(i)), would you be open to exploring options such as personalized retirement accounts instead of target date funds?

A: Maryland$aves has expressed a preference for target date funds, however, we are open to reviewing proposals with other options, including managed account options.

52. Q: Will your offering include a managed account option?

A: See the response to Question 51 above.

53. Q: Is the $500 Million dollar strategy minimum (section 3.2 (a)(2)) a hard requirement? With a managed account we are simply setting the mix to other funds on your menu so there is no risk of being too large a shareholder in the program.

A: In a managed account solution, the underlying managers utilized should meet the minimum qualifications for strategy AUM. Maryland$aves may choose to negotiate with a proposer that does not meet all the minimum qualifications.

54. Q: Are you open to having multiple asset managers bid on a joint solution?

A: Yes.

55. Q: Do you anticipate offering an in-plan retirement income product?

A: Maryland$aves places a strong emphasis on assisting the Program participants in the decumulation phase. Proposers are asked to describe how they would structure the Default Managed Payout Option and the Optional Accelerated Payment Option (each described Section 2.29(b) of the RFP). Proposers are invited to offer alternatives to achieving the objectives of these Options.

56. Q: For investments, can you please further explain how the proposed strategies should be available for an IRA investment? Do the investments need to be portable to retail investment providers outside this program?

A: The underlying investments can be ‘40 Act mutual funds or other investment vehicles that would be daily valued and legally available to individual investors within a Roth IRA. Although assets in a Maryland$aves account are portable, the underlying investments are not.

57. Q: Does Maryland$aves have the ability to invest in a pooled vehicle such as a Collective Investment Trust?

A: See the responses to Questions 47 and 56 above.
58. Q: Can Maryland$aves clarify if the Contractor, or its affiliate, will be acting as a fiduciary to the underlying investments in its management of those investments in accordance with applicable state and federal laws and regulations?

A: See the response to Question 39 above.

59. Q: The investment vehicle that we are proposing is a mutual fund which has been running live since Jan. 1st 2019. However, the investment strategy that we are proposing has been running as a similar UCITS format vehicle since Dec 2014. Will this proposed strategy be acceptable for submission?

A: Yes. Please provide strategy AUM for both vehicles and disclose any differences in the investment make-up of the different vehicles.

60. Q: Will actively managed quantitative strategies be considered for this mandate?

A: Yes.

61. Q: What are the specific asset classes or investment styles that are being sought for the growth fund area?

A: High level descriptions of the specific asset classes can be found on page 20 of the RFP. Maryland$aves is looking for Proposers to suggest specific investment vehicles and management styles (e.g., passive, active or a blend) that would be in the best interest of the Program. There is a preference for simplicity.

62. Q: Is there a preference for US or non-US investment strategies?

A: No. At this point it could be a single global mandate or separate US and non-US strategies, that is still to be determined.

63. Q: Regarding Investment Management, there are two lengths of track records: one for five years and one for three years. Can I get clarification on that?

A: The five-year term relates to strategy or team track record and the three-year term applies to the specific investment vehicle that is being proposed.

Investment Management / General Clarification re Default

64. Q: If a participant balance drops below the $1000 threshold will you remain in the QDIA or will you be transferred back into the capital preservation option?

A: If a participant’s balance drops below the $1,000 threshold in the emergency savings account portion of the default, then new contributions will be directed to the emergency account until the $1,000 balance is replenished. Once the $1,000 balance is replenished, subsequent contributions to the target date fund will resume.
65. Q: How are participants able to direct investment decisions after the threshold $1000 savings threshold is made, outside of the default investment option?

A: Participants may elect where their contributions will be made and build a portfolio out of the available core menu options. Any participant elections would supersede defaults to the default target date fund, which includes the $1,000 emergency savings account.

66. Q: How frequently will cash be withdrawn from or allocated out of the cash component?

A: Like other participant-directed programs, cash flows will be dependent on participant activity. Daily trading across all options is required.

**Investment Management / Program Administration**

67. Q: Would you access the funds via an omnibus account, with a record keeper or administrator doing sub-accounting?

A: From an investment management perspective, each underlying investment will be held in an omnibus account for MarylandSaves. The Program Administrator will perform sub-accounting services for the Program participants.

68. Q: Will MarylandSaves be the client? Or will the Investment manager be required to set up accounts for each individual member?

A: See the response to Question 67 above.