

**CITY OF MEMPHIS EMPLOYEE 457(b)
DEFERRED COMPENSATION PLAN**

RFP #12887

**QUESTIONS AND ANSWERS CONCERNING
THE RFP**

Question Set 1:

- *With regard to the Minimum Qualifications of Service Provider Section, could you please provide Attachment A (Appendix) – Certificate of Compliance.*

A certificate to be completed is attached.

- *Is the City of Memphis currently utilizing managed account services? If yes, what percentage of participants have elected this service and what percentage of total assets are invested with managed accounts?*

No, the City is not currently utilizing managed account service.

- *Please confirm there are no liquidity restrictions (deferred sales charge, put, market value adjustment and/or spread pay option) on the current stable value product when transferring to a new provider.*

The liquidity restrictions on the Nationwide piece are:

Market Value Adjustment

If the City terminates the fixed annuity contract and withdraws its assets in a lump sum a Market Value Adjustment (“MVA”) may apply. The MVA is the amount that Nationwide Life Insurance Company (“NLIC”), an affiliate, determines would be the net capital loss, if any, resulting to NLIC if investments were liquidated to satisfy the lump sum withdrawal. The MVA would be calculated using NLIC’s current procedures applicable to all contracts of this type and class at the time of withdrawal. If the employer withdraws its assets over a 60-month period (5 years) instead of in a lump sum, the MVA would not apply.

The City’s current MVA is \$0 as of December 17, 2012

- *What are the "old" life insurance policies and what is the scope of services required relative to these policies?*

There are currently 1,256 existing life insurance policies. Premiums are collected on the existing policies and submitted Monumental Life. Additionally, life policy information is included on both plan level and participant statements.

- *Stable Value Cash flow: Please provide yearly stable value cash flow activity since 2009 broken down by Contributions, Withdrawals and Transfers (exchanges to/from stable value option to other investment options in the plan).*

City of Memphis: Nationwide

| | Contributions | Withdrawals | Transfers* |
|--------|----------------------|-----------------|----------------|
| • 2009 | Available 12/19/2012 | | |
| • 2010 | \$10,497,005.84 | \$11,735,205.27 | \$2,903,125.05 |
| • 2011 | \$13,240,722.73 | \$13,400,285.42 | \$4,638,994.76 |
| • 2012 | \$7,881,784.93 | \$10,041,269.29 | \$4,089,867.55 |

City of Memphis: Great West

| | Contributions | Withdrawals | Transfers* | Total |
|--------|---|-------------|------------|-------|
| • 2009 | | 0.00 | | |
| • 2010 | | 0.00 | | |
| • 2011 | | 0.00 | | |
| • 2012 | | 0.00 | | |
| • | | | | |
| • | *In/out of stable value option to other investments within the plan line up | | | |

- *Stable Value Demographics: Please provide stable value assets broken down between actively employed and inactive participants by age band.*

City of Memphis: Nationwide

| participant age group | actives | inactives | total stable value fund |
|-----------------------|--------------|--------------|-------------------------|
| 0-30 | \$999 | \$999 | \$1,998 |
| 31-40 | \$9,999 | \$9,999 | \$19,998 |
| 41-50 | \$99,999 | \$99,999 | \$199,998 |
| 51-60 | \$999,999 | \$999,999 | \$1,999,998 |
| 61+ | \$9,999,999 | \$9,999,999 | \$19,999,998 |
| | \$11,110,995 | \$11,110,995 | \$22,221,990 |

City of Memphis: Great West

| participant age group | actives | inactives | total stable value fund |
|-----------------------|---------|-----------|-------------------------|
| 0-30 | \$999 | \$999 | \$1,998 |

| | | | |
|-------|--------------|--------------|--------------|
| 31-40 | \$9,999 | \$9,999 | \$19,998 |
| 41-50 | \$99,999 | \$99,999 | \$199,998 |
| 51-60 | \$999,999 | \$999,999 | \$1,999,998 |
| 61+ | \$9,999,999 | \$9,999,999 | \$19,999,998 |
| | \$11,110,995 | \$11,110,995 | \$22,221,990 |

Question Set 2:

- *We have several clients and prospects that have contracted with Segal Rogerscasey as their consultant. The consultant on these plans is not Rosemary Guillette. Please confirm that we can continue discussions with other consultants employed at Segal Rogerscasey on plans other than and not related to the City of Memphis or RFP #12887*

Yes, you can continue to talk to all Segal Rogerscasey employees and our consultant Rosemary Guillette as long as it is not in reference to this RFP.

- *Please confirm that the target implementation date is May 2013.*

Yes, that is the target date.

- *Please clarify whether the office space at 2670 Union Extended, Memphis, TN 38112 is provided by the City of Memphis or the current provider.*

This space is provided by the current provider for the employees that service the Memphis Plan as well as several other plans throughout the City.

- *If the location is provided by your current vendor, please provide the lease terms and any additional information available.*

It is not required that a provider inhabit the same space. The address was provided as information regarding the ideal location for an office.

- *Please provide the total number of days or hours per month that the 2 field representatives and manager are specifically dedicated to the City of Memphis. Is there a contractual minimum amount of time or days that they are dedicated to the City?*

Each Field Representative provides approximately 12 to 14 days per month of service specifically dedicated to the City's Plan. There is no contractual minimum amount of time and/or days dedicated to the City.

- *Please provide the total number of group and individual participant meetings conducted by your current provider for 2011/2012.*

The Plan's Retirement Specialists provided 260 group meetings throughout 2011 and 2012. They conducted approximately 1,182 individual participant meetings.

- *Please confirm whether advice, guidance or managed accounts are currently being utilized in the plan. If so, please provide the total number of participants and assets utilizing these services.*

Managed accounts are not currently offered.

- *Please clarify whether the \$80,000 used to cover the search process will be paid in the first year or spread out over the life of the 5 year agreement.*

The \$80,000 should be paid upon execution of the final contract with the selected provider.

- *Please provide a copy of you 2011/2012 plan review from your current provider.*

Please see attached.

Question Set 3:

VALIC appreciates the opportunity to review the City of Memphis 457(b) RFP, and we have the following questions:

- *Considering the unprecedented current interest rate environment, would The City of Memphis consider a competitive guaranteed fixed interest account (General account) that includes an MVA or alternatively a 12 month put?*

Yes, the City would consider this.

- *Can you provide the current pricing arrangement with Nationwide?*

Current contract with Memphis includes the following agreement for variable account charges:

Based on the Plan's current investment options, there is no participant level fee associated with the administration of the Plan. Nationwide retains all mutual fund payments generated by the City's current investment options.

- *The total contributions and withdrawals reflected in the table on Section 1 page 6 are different than the contributions and withdrawals reflected on Section 1 page 8. Can you please explain the difference or let us know which table to use for purposes of our assumptions?*

Please use the charts below:

| | | | |
|------------------|-------------|-------------|-------------|
| Cash Flow | | | |
| | 2009 | 2010 | 2011 |

| | | | |
|----------------------|-------------------|-------------------|-------------------|
| <u>Contributions</u> | <u>18,067,787</u> | <u>18,033,756</u> | <u>19,769,699</u> |
| <u>Withdrawals</u> | <u>9,616,606</u> | <u>3,516,698</u> | <u>8,128,157</u> |
| <u>Net Cash Flow</u> | <u>845,118</u> | <u>14,170,758</u> | <u>11,641,542</u> |

| <u>Contributions/cash-in</u> | | | | |
|--|------------------|------------------|------------------|------------------|
| <u>457 Plan</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| <u>Employee Pre-tax (excluding catch-up contributions)</u> | <u>N/A</u> | <u>8,570,908</u> | <u>8,413,156</u> | <u>8,454,543</u> |
| <u>Age 50 catch-up</u> | <u>N/A</u> | <u>1,133,997</u> | <u>721,307</u> | <u>588,460</u> |
| <u>3-year catch-up</u> | <u>N/A</u> | <u>630,875</u> | <u>323,084</u> | <u>681,564</u> |
| <u>15-year catch-up</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Roth</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>After-Tax</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Employer Match</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Employer Discretionary</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Rollover Contributions</u> | <u>5,508,370</u> | <u>5,627,407</u> | <u>6,163,305</u> | <u>7,181,200</u> |
| <u>90-24 Contract exchanges</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Loan repayments</u> | <u>1,023,015</u> | <u>2,104,600</u> | <u>2,412,904</u> | <u>2,863,932</u> |

| <u>Withdrawals/cash-out</u> | | | | |
|--|-------------------|-------------------|-------------------|------------------|
| <u>457 Plan</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
| <u>Lump sum distributions – cash</u> | <u>12,666,847</u> | <u>16,169,052</u> | <u>11,353,218</u> | |
| <u>Lump sum distributions – rollover</u> | <u>220,625</u> | <u>75,732</u> | <u>0</u> | <u>0</u> |
| <u>De Minimum payments (less than \$5,000)</u> | <u>205,675</u> | <u>224,447</u> | <u>86,760</u> | <u>54,796</u> |
| <u>Installment payments</u> | <u>4,486,367</u> | <u>572,724</u> | <u>3,776,599</u> | <u>5,234,027</u> |
| <u>Unforeseeable/Hardship withdrawals</u> | <u>856,965</u> | <u>2,828,228</u> | <u>2,532,899</u> | <u>2,047,116</u> |
| <u>In-service withdrawals (excluding hardship withdrawals)</u> | <u>205,675</u> | <u>224,447</u> | <u>86,760</u> | <u>54,796</u> |
| <u>Loan withdrawals</u> | | | | |
| <u>Fees (ie: loans, self-directed brokerage)</u> | <u>72,002</u> | <u>73,800</u> | <u>74,400</u> | <u>84,907</u> |

The information on contributions and withdrawals provided in early November were compiled from several different sources. The figures listed under "Cash Flow" as contributions are from the Gauging Success Report. Contributions as provided by the Gauging Success reports include Deferrals, Rollovers and Other sources such as QDROs, and beneficiary accounts.

The more detailed breakdown came from various reports that were ordered specifically to accommodate the original request. The Contributions and Net Cash Flow have been revised to reflect detailed breakdown reports rather than the Gauging Success Report.

Question Set 3:

- *On page 2 of the introduction, you reference Appendix A: Current Plan Document that did not appear to be included in the RFP. Please provide a current plan document.*

The Plan Document is attached.

- *On page 10, under minimum qualifications (of the introduction), you reference completing Attachment A (Appendix) – Certificate of Compliance. It does not appear to have been provided with the RFP. Please provide or let us know where this certificate can be obtained.*

A certificate to be completed is attached.

Question set 4:

- *Will we be OK meeting the requirement that bidders have at least 3 public 457 plan accts with 6000 participants? We don't have that now, but have over 200 total plans with participant sizes greater than that. If you think there is going to be a concern, how do you suggest we get the minimum qualification changed?*

There will be no changes to the minimum qualifications. However, you can complete Attachment A – Certificate of Compliance and note the exception. If you have sufficient other 457 experience and applicable experience with larger Plans, the City may consider your proposal for review.

Question Set 5:

- *The term investment advisory services is discussed throughout the RFP, please describe the City's desired investment advisory service model.*

As part of the services requested in this RFP, the City is looking for onsite support to provide investment advisory services to participants. The City will work with the selected provider on an acceptable model.

- *Page 11, Item 11 - Please provide details regarding the type of two way data interface the Plan is looking to utilize, including the system(s) expected to interface with the service provider.*

The selected vendor will work with the City to establish a mutually agreed upon interface.

- *Page 14, Terms and Conditions section, does this RFP contain a recommended or required small, minority, or woman owned business purchasing spend?*

No.

- *In regards to the request for a proposed Stable Value Product (Section 1, page 2), what is the Plan's preference regarding the treatment of the existing assets that make up the Memphis Blended Fixed Option?*

As stated in the RFP, both stable value mandates will be available for transfer subject to any contract restrictions.

Question Set 6:

- *Please confirm whether loans are permitted and the number of outstanding loans.*

Yes, loans are permitted. The current provider administers 3,544 general purpose loans and 12 primary residence loans for a total of 3,556 loans

- *How many active employees are currently contributing to the plan? Does this include inactive?*

There are 4,214 actively contribution participants.

- *How many participant statements are issued in total?*

6,130 statements were issued for the 3rd quarter of 2012

Question Set 7:

- *What is the current rate on the stable value funds?*

The fourth quarter blended rate is 3.31%. The individual credit rate for the Nationwide Fixed Account is 3.50% and for Great West it is 2.85%.

- *Are you looking for education consultants to be exclusively dedicated to the City?*

No, education consultants may work on other Plans also but need to be local and available to employees.

- *Are you looking for the new provider to have an office in Memphis? Do you hold benefit fairs? If so, how often?*

Yes, the City wants an office in Memphis. Benefit fairs are held twice per year.

- *Are you interested in including annuities in your line-up to assist employees with creating an income stream in retirement?*

The City is not currently interested in including annuities in the line-up but may revisit later.

