



Department of Procurement Services

December 5, 2003

**Addendum Number 1
To
Request for Proposals (ARFP®)
For
Deferred Compensation Service: Investment Management,
Recordkeeping/Administration, Communication/Education and
Custodial Trustee Services**

Specification No. 16871

Proposals were originally scheduled to be received no later than 4:00 p.m., Chicago time, on Friday, December 12, 2003, in the Department of Procurement Services, Bid and Bond Room (Room 301 of City Hall). Please be advised that the City of Chicago has extended the deadline for responding to the RFP for **Deferred Compensation Service: Investment Management, Recordkeeping/Administration Communication/ Education and Custodial Trustee Services**. Proposals are now due no later than 4:00 p.m. Chicago time on Wednesday, December 17, 2003, in the Bid and Bond room (room 301 of City Hall).

Please be advised that the information contained in this Addendum Number 1 is incorporated by reference into the original RFP issued on November 7, 2003.

Respondent must acknowledge receipt of this Addendum in the attached Acknowledgment.

This document contains:

- I Changes to Scope of Services, Section 1, "Administration" addition of #18;**
- II Change to Section IV, Evaluating Proposals, #8;**
- III. Change to "Section 3: Investment Management Services" #6**
- IV. Answers to questions submitted on or before November 19, 2003**

I. CHANGES TO SCOPE OF SERVICES, SECTION 1, "ADMINISTRATION"

18 Shall be added and read as follows:

The Scope is revised as follows:

“The life insurance administration will require selected respondent to collect and pay all life insurance premiums and remit such amounts to the insurance carriers. In addition, the insurance companies will provide on a quarterly basis the death benefit, cash value and paid premium, which is to be reported on the individual participants quarterly statements.

II. CHANGE TO SECTION IV, EVALUATING PROPOSALS, #8

The following language shall be added to #8:

The service provider will accept a file transfer from the City’s Payroll Division and credit (“post it to”) the participant’s account with the service provider each pay period (two per month).

III. CHANGE TO “SECTION 3: INVESTMENT MANAGEMENT SERVICES” #6

The following language should be removed from Section 3: Investment Management Services, #6, bullet point #4:

“3 year extension growth rate”.

IV. The following questions were submitted, in writing, on or before the November 19, 2003 deadline. The questions and answers are being provided to all potential respondents:

Question 1: What is the implementation (“live”) date?

Answer 1: The live implementation date will be 90 days from the point in time in which the City and selected service provider have completed favorable contract negotiations. Example: If the contract negotiations conclude at March 31, 2004, the transition date would be July 1, 2004.

Question 2: What are the management fees on the synthetic GIC portion of the CBFA? If there is revenue sharing on the Synthetic GIC, what is it?

Answer 2: The answer to this question is not required for your proposal response.

Question 3: What is the scope of work required with record keeping the life insurance – i.e., would we simply pass through premiums to the carriers or is other administrative work required?

Answer 3: Refer to Change I

Question 4: Timeline for finalist presentations – and after December 12th.

Answer 4: Finalists’ presentations are anticipated to occur during the week of February 9, 2004. It is the Committee’s expectation, based on the number of responses, to have the proposals fully evaluated by the end of January 2004, with finalists’ presentations during the week of February 9 and final selection by February 28, 2004. However, these are target dates and subject to change without notification.

Question 5: Can we bid investment only?

Answer 5: No.

Question 6: Chicago Blended Fixed Account (CBFA) questions:

Question 6a: How and where are cash liquidity managed?

Answer 6a: The service providers along with the custodial trustee will be required to manage the cash liquidity rules which are defined in Section 1 page 37 of the RFP.

Question 6b: Are there equity-wash rules?

Answer 6b: No.

Question 6c: Are Nationwide and Monumental transfers available in cash or in kind?

Answer 6c: Nationwide in cash only. Monumental Life can accommodate both a cash or in kind distribution of securities.

Question 6d: Are they looking to add or change managers in synthetic wrap?

Answer 6d: The RFP is requesting either a replacement or a restructure of the investments in the Monumental Life synthetic wrap product.

Question 6e: Is there a preference between pooled or declared rates?

Answer 6e: The City is looking for the best overall interest rate for the plan participants.

Question 7: Can the RFP be provided in format other than PDF? (Like WORD.)

Answer 7: The CD provided with the hard copy of the RFP from the City's Bid and Bond room is in a Microsoft Word format. Please note that in order to be on the City's official take-out sheet, you must either pick up a copy of the RFP from our Bid and Bond Room, or contact the Bid and Bond Room to have a copy mailed to you. The take-out list is the final master document used for distribution of all formal communications regarding this RFP.

Question 8: How much of the \$1.2 billion in assets will transfer to the new vendor?

Answer 8: As of September 30, 2003, the estimated amount of plan assets available for transfer is approximately \$1,244,650,000 as provided in Section 3- Exhibit VI.

Question 9: How will the city address the MBE/WBE requirements if the vendor does not charge the City for the Plan?

Answer 9: MBE/WBE firms should be included in your proposal either as service providers (such as printing, education, equipment, etc.), investment managers, or investment products in order to sufficiently demonstrate compliance. The City will review and evaluate direct and indirect compliance participation as described in the Special Conditions Regarding MBE/WBE Compliance.

Question 10: WBE/MBE requirements of 16.9% and 4.5%; please explain what these mean.

Answer 10: Those percentages reflect the percentages of revenue generated by the Plan that should be earned by WBE/MBE firms certified by the City of Chicago.

Question 11: Regarding the Hartford assets, will participants be allowed to transfer these monies to the new program? If so, how often?

Answer 11: All of the assets that are part of the CBFA are subject to the same exchange rules of the Plan. Participants in the CBFA do not direct their assets to a particular manager. See also: Plan Document, included in the RFP.

Question 12: How many participants are in the Self-Directed Account?

Answer 12: Self-Directed Account is currently not a feature of the Plan. The City seeks to implement this feature, offering Mutual Funds (not individual stocks) to its participants.

Question 13: Please describe in detail the administration of the life insurance program. How is it handled now?

Answer 13: Please refer to response to question no. 3.

Question 14: Do you expect the same number of investment options in the new plan?

Answer 14: No, we are looking to consolidate the number of options to a 'best-in-class' fund line-up. The City is seeking your firm's best-in-class fund line-up for your proposed investment strategy. Additionally, the City seeks to offer the highest yield for the CBFA to its participants. This arrangement should be available to participants at a single point of contact.

Question 15: To what extent will Segal be involved in the education?

Answer 15: To the extent required by the Evaluation Committee.

Question 16: What is the expected implementation date of the Plan?

Answer 16: Please refer to response to question no. 1.

Question 17: Will MBE/WBE participation be allowed to be waived?

Answer 17: Each proposal will be evaluated based on the responses provided for all RFP requirements including MBE/WBE participation.

Question 18: What are the parameters or restrictions for MBE/WBE managers to work with the providers of full services?

Answer 18: Please refer to response in question no.9.

Question 19: Where will answers to submitted questions be provided?

Answer 19: The City will notify firms listed on the official Bid and Bond Room take-out list. These responses will also be posted at the City of Chicago Department of Procurement Services' website.

Question 20: What are the administrative requirements of the life insurance component?

Answer 20: Refer to response to question no. 3.

Question 21: Will the life insurance company provide valuation data; death benefit; surrender value; cash value, etc?

Answer 21: Yes, all data related to the life insurance will be supplied by each of the insurance companies identified in the RFP.

Question 22: Please provide more detailed information on the administrative requirements of the salary continuation component.

Answer 22: The salary continuation component is term insurance contracts in which the term amounts and policy values are not reported. The role of the service provider is to collect and remit the insurance premiums and report that the premiums on the contracts are paid on the participant's statement.

Question 23: What are the terms for which the City can terminate the agreement?

- a:** for cause?
- b:** for gross negligence?
- c:** for convenience?

Answer 23: The City will have the right to terminate their agreement with the contracted vendor based on the final negotiated Agreement terms and conditions. Specific language relating to those terms will be negotiated with the successful Respondent.

Question 24: What are the recordkeeping expenses?

Answer 24: The answer to this question is not required for your proposal response.

Question 25: Is there a wrapper on the Vanguard Funds?

Answer 25: No.

Question 26: Under Point 9 of the Miscellaneous Qualifications of Respondent, what certifications are acceptable as a "qualified" firm to provide administrative services and investment products pursuant to Section 457?

Answer 26: Completion of certification of compliance with terms and conditions of RFP executed by authorized officers of your company. Refer to Section 5 Appendix A.

Question 27: What is the anticipated implementation date?

Answer 27: Refer to response to question no. 1.

Question 28: What is the anticipated award date?

Answer 28: The tentative award date will be the end of February 2004 pending favorable contract negotiations. Refer to response to question no. 1.

Question 29: If a vendor does not have a self-directed brokerage service, should the vendor decline to respond to RFP?

Answer 29: No, a vendor should look to partner with an alternative organization to offer this service through your organization as an alliance arrangement.

Question 30: If a vendor administers plans of similar size in the public 403b and 401a, would you accept references from those plans rather than 457b plan references?

Answer 30: Yes.

Question 31: The RFP clearly states that there should be no liquidation penalty, contingent deferred sales charges, or market value adjustments related to the liquidation of any of the plan's investment products. To clarify, does this apply to both employer and employee withdrawals?

Answer 31: Yes.

Question 32: What are your reasons for requesting proposals for deferred compensation services?

Answer 32: Our current contract will expire shortly. Further, the City seeks to evaluate competitive proposals that will offer plan participants the most attractive overall program.

Question 33: What would you like to change?

Answer 33: Please refer to response to question no.14.

Question 34: What is the expected effective date of the new plan?

Answer 34: Please refer to response to question no. 1.

Question 35: Does the city believe that 12 reps are the right number or do you need more or less?

Answer 35: The City is looking for your recommendation based upon similar plan size and structure as to the number of representatives, group meetings and one-on-one consultations, needed to provide service support to the employees and participants of the City.

Question 36: In the RFP, the City states that it does not want to contract directly with Trustees, Custodians, or Self-Directed Options providers. Given this situation, will the City delegate the authority to the administrator to enter into such agreements on the City's behalf?

Answer 36: Yes, we are looking to contract with one business entity to provide all required services. Service provider may engage alliance partners to provide any of the requested services.

Question 37: In the minimum requirement #7, it reads: "There can be no liquidation penalty, CDSC fees or market value adjustment related to the liquidation of any of the Plan's investment products." In Section 3: Investment Management Services subsection 11, it reads: "This product must be fully liquid at the end of the renewal period with a 100% full market value payout provision." These statements appear to contradict each other. Can you clarify?

Answer 37: This will be negotiated with selected Respondent.

Question 38: Regarding Pages 12 and 13 of the RFP, Minimum Qualifications of Respondent, Nos. 1 and 2: Please specify what types of plans satisfy the "minimum experience" and "minimum of \$3 billion under investment management" requirement.

Answer 38: This would consist of all assets held in 401(a), 403(b), 401(k), 457 and defined benefit retirement programs in the public sector marketplace.

Question 39: Under Section 2, Administrative Services Questionnaire,” Pages 41 and 42, Nos. 3, 6, 8 and 11: When referring to Section 457 Deferred Compensation Plans, would experience with Section 403(b) Plans also meet the requirement?

Answer 39: Yes.

Question 40: Will the Pre-Bid Conference Attendees list be made available on the Department of Procurement Services website?

Answer 40: A complete list of all firms that officially signed-out a copy of the RFP can be obtained by contacting our Bid & Bond Room at (312) 744-9773. The Bid and Bond Room take out list is fluid and subject to change until the RFP is closed.

Question 41: Currently how is the liquidity managed? Is there a cash component within the CBFA?

Answer 41: The service providers along with the investment manager and custodian trustees manage the CBFA liquidity requirements. Refer to Section 1 page 37 for the rules related to the management of the cash flow of the CBFA investment option.

Question 42: Is there an Equity Wash Rule in effect?

Answer 42: No.

Question 43: Is there a preference between a daily-pooled fund OR a guaranteed, declared rate fund?

Answer 43: The intent is to have the best overall product and interest rates available to participants. A guaranteed quarterly interest rate (declared in advance of the quarter) will be required for the CBFA.

Question 44: Will assets in Nationwide GIC and Monumental Life Synthetic Wrap transfer “in-kind” or in cash?

Answer 44: Please refer to response to question no. 6.

Question 45: Who “manages” CBFA with respect to overall asset allocation, liquidity management, portfolio risk, manager performance, etc.?

Answer 45: Please refer to response to question no. 41.

Question 46: What are the benchmarks for the Synthetic GIC managers?

Answer 46: Benchmarks will be subject to favorable contract negotiations between the City and the Successful Respondent.

Question 47: Is the City open to new asset classes within the CBFA?

Answer 47: We are open to review your recommendations in light of designing a competitive high quality investment product. The design of the CBFA is to guarantee principal protection of the participants’ investment in the fund.

Question 48: The Legal Advertisement indicates that a bid bond must accompany Bids/Proposals requiring a Bid/Proposal deposit. Would a bid bond be required for this Bid/Proposal? If yes, can you

please indicate the amount of the bid bond required for this Bid/Proposal?

Answer 48: A bid bond is not required for this proposal.

Question 49: Can you please provide the estimated implementation date for transitioning the City's Plan to a new provider?

Answer 49: Please refer to response to question no. 1.

Question 50: Can you please define "post participant contributions" referenced on page 13, item number 8. Are the "post participant contributions" included with the City's centralized payroll submission?

Answer 50: Refer to Change #II.

Question 51: Can you please describe the process for obtaining deduction changes from your current provider? Can you please provide the data required for the feedback file?

Answer 51: The answer to this question is not required for your proposal response.

Question 52: Can you please provide the number of QDROs that have been received under the Plan year-to-date?

Answer 52: (26) QDROs have been processed year-to-date.

Question 53: Will the new provider be permitted to offer annuities under the contract or is this limited to Nationwide Life Purchased Annuities as noted on page 27?

Answer 53: Yes, the selected service provider will be permitted to offer annuities (subject to favorable contract negotiations with the City).

Question 54: With regard to the Chicago Blended Fixed Account (CBFA), what are the timing and form of surrender options for the Nationwide and Monumental contracts?

Answer 54: Refer to the response to question no.1.

Question 55: Please confirm that the new recordkeeper would only have to pass along the premiums collected and place the cash value on the participant statement for the life insurance and salary continuation policies for participants in the plan.

Answer 55: Refer to the response to question no.3.

Question 56: Please verify for us that the current life insurance and salary continuation carriers handle all the administrative features for all direct bill participants and that the carrier will not receive any type of compensation from the recordkeeper.

Answer 56: For direct bill participants, the carriers handle the policy administration and they do not receive any compensation from the recordkeeper.

Question 57: Please provide the guidelines around the entities allowed to manage the assets in the Chicago Blended Fixed Account. For example, a single entity is not allowed to manage more than 50%

or \$500M of the account.

Answer 57: Refer to Section 1, Scope of Services, Investment Management Services.

Question 58: What is the weighting of evaluation criteria outlined in Section IV, pages 11-15?

Answer 58: All aspects of the required services will be fully evaluated. The Evaluation Committee may consider any factors it deems necessary and proper for best value, including, but not limited to those in Section IV of the RFP.

Question 59: What are the management fees and revenue sharing for each of the underlying managers of the CBFA, including the managers and wrap provider for the synthetic GIC?

Answer 59: The response to this question is not required for your proposal response.

Question 60: Would a proposal that includes proposed continuation of any minority-owned money managers currently managing assets under the synthetic GIC portion of the CBFA qualify towards meeting the City's MBE/WBE requirements?

Answer 60: Refer to the response to question no.9.

Question 61: Please describe all the appropriate parties that will need a two (or one) way interface capability, other than City payroll.

Answer 61: Two way interface would be required between the service provider and the City's payroll department in connection with the administration of participant deduction changes.

Question 62: Please provide the last valuation date that PRK would do if another TPA were selected. Is the final valuation date flexible?

Answer 62: Nationwide's final daily valuation will continue up through the plan transition date. See also response to question no. 1.

Question 63: Please provide a copy of the existing (if applicable) plan forms being used, investment policy/guidelines, Summary Plan Description, as well as a sample copy of the latest statement available.

Answer 63: The current Summary Plan Document was included as Appendix B of RFP. Current Fund performance may be viewed at www.chicagodeferredcomp.com. Proposed form, statements and other plan materials should be included in your proposal response.

Question 64: Please provide the current call center days and hours (please indicate local time, PST, MST, CST, EST) of operation that currently service the plan participants.

Answer 64: The NRS Local Chicago office call center is open Monday through Friday 8:30am to 5:00pm, Central time. The NRS National Service Center is open Monday through Friday, 7:00am to 8:00pm, Central time.

Question 65: Please describe any non-English products/services that the City of Chicago requires.

Answer 65: Voice response and customer service center should have capabilities to assist Spanish speaking employees.

Question 66: Does the plan have employer contributions? If so, do the payroll centers calculate the employer contributions?

Answer 66: No.

Question 67: Would the payroll center provide data (Name, Address, SSN, hire date, deferral amounts) to a newly selected TPA on all eligible participants or only people participating in the plans?

Answer 67: The City payroll center provides information on current participants. Periodic education or marketing materials may be directed to all eligible employees after approval of the Deferred Compensation Committee, as needed. The City will provide a complete file of all eligible employees, for agreed upon marketing purposes, to the successful respondent.

Question 68: Does the payroll center provide termination status codes/ termination dates for participants that leave employment?

Answer 68: Yes, the City will provide access to this information.

Question 69: Do the payroll centers indicate which amounts are regular contributions and which amounts are catch-up contributions?

Answer 69: Payroll files and transfers are prepared on demand in accordance with the providers requirements. The current recordkeeper will provide those files to the successful respondent.

Question 70: Does the City of Chicago or the TPA currently handle the approval process for hardships?

Answer 70: The current service provider researches and submits approved recommendations for sign-off by the Deferred Compensation Committee. Approved requests are processed by the recordkeeper.

Question 71: Does the City of Chicago or the TPA currently handle the approval process for Unforeseen Emergencies?

Answer 71: Please see response to question no. 70.

Question 72: Does the City of Chicago or the TPA currently handle the approval process of "QDROs"?

Answer 72: The process is completely outsourced to the current service provider.

Question 73: Does the City of Chicago maintain the beneficiary information? Is the beneficiary information maintained electronically or only on paper?

Answer 73: The current service provider maintains beneficiary information and will provide that information to the successful respondent.

Question 74: Does the plan have any other investments that need to be recordkept that are not listed in the RFP, such as Certificates of Deposit or Self Directed Brokerage accounts? If so, please provide a breakdown of the investments and any requirements associated with them.

Answer 74: None, see also response to question no. 12.

Question 75: Please describe any participant level fees by transaction type.
Answer 75: The answer to this question is not required for your proposal response.

Question 76: Please describe any performance guarantees that the current recordkeeper is subjected to.
Answer 76: Performance guarantees will be established in the new agreement.

Question 77: Does the plan contemplate offering participant loans at implementation or at a future date?
Answer 77: No.

Question 78: What is the location of the office maintained by the current provider?
Answer 78: The current provider maintains a local office in downtown Chicago.

Question 79: What is the type/level of activity performed in that office (participant calls, transactions, inquiries, education, enrollment, etc.)?
Answer 79: All types of participant customer service requests are processed and handled at the office above.

Question 80: Would the City entertain the idea of an office on City premises?
Answer 80: No.

Question 81: Of the 12 representatives provided by the current provider:

Question 81a: What is the number of staff per job category (e.g. enrollment/education specialist, customer service representative, clerical, manager, etc.)?

Answer 81a: The answer to this question is not required for your proposal response.

Question 81b: How many are 100% dedicated to the City's account (i.e., they do not provide service to other local employers)?

Answer 81b: Currently, Nationwide provides twelve dedicated representatives. See also response to question no. 35.

Question 82: How many group meetings and one-on-one consultations were conducted last year?
Answer 82: Please refer to the response to question no. 35.

Question 83: Is the City seeking to increase the number of group meetings?
Answer 83: Please refer to the response to question no. 35.

Question 84: Are employees allowed time off to attend deferred compensation meetings (group and individual)?

Answer 84: The City offers periodic orientation, training programs and benefit fairs on site and at various locations in the City. Frequently the service provider will be invited to participate. A reasonable

amount of time allowed to employees for on-site programs requires prior approval of the Deferred Compensation Committee and various City Officials.

Question 85: Will the City conduct site visits of respondents as part of the evaluation process?

Answer 85: The RFP indicates that the City may conduct site visits.

Question 86: Please verify how to calculate the 16.9% MBE and 4.5% WBE requirement if there is no charge for services applicable to the City of Chicago Deferred Compensation Plan.

Answer 86: Please refer to the response to question no.9 and 10.

Question 87: The RFP indicates that 29,195 is the number of participants with an account balance. The RFP also indicates that there are 9,240 inactive participants and that there are approximately 40,000 eligible employees. Please verify the number of active and inactive participants who have an account balance? Is it the sum of 29,195 + 9,240 = 38,435 or is it just 29,195?

Answer 87: 38,435 participants have an account balance in the plan.

Question 88: Would it be possible to obtain the following demographic information for all eligible employees:

Work Location Zip Code plus 4 digit zip code suffix for each eligible employee; Home Zip Code plus 4 digit zip code suffix for each eligible employee; Employee Age; Active participant (Y or N)?

Answer 88: The answer to all of the questions above is not required for your proposal response.

Question 89: Would it be possible to obtain a copy of the current communication materials being supplied by Nationwide Retirement Solutions?

Answer 89: This information is not required for your proposal response.

Question 90: How many group meetings were conducted in the last 12 months.

Answer 90: Please refer to the response to question no. 35.

Question 91: How many individual meetings were conducted in the last 12 months.

Answer 91: Please refer to the response to question no. 35.

Question 92: The RFP indicates that Nationwide provides 12 Field Representatives. Please describe the duties and responsibilities (i.e., participant education, administrative, data entry, etc.) of each of these 12 field reps. Are all of the 12 field reps exclusively dedicated only to the City of Chicago plan only and do not assist or work on any other plans whatsoever? Where are each of these 12 field reps based?

Answer 92: This information is not required for your proposal response. Please refer to the response to question no. 35.

Question 93: What are the current plan administration/recordkeeping fees being charged by Nationwide Retirement Solutions.

Answer 93: The answer to this question is not required for your proposal response.

Question 94: Does Nationwide Retirement Solutions currently provide any revenue sharing back to the City of Chicago, if so, how much is returned annually.

Answer 94: The answer to this question is not required for your proposal response.

Question 95: What types of performance guarantees are currently in place with Nationwide Retirement Solutions and what are the penalties if a performance standard is not achieved?

Answer 95: Please refer to response to question no. 76.

Question 96: Regarding page 14 Question #20 related to the cost for printing, labels and postage for committee communications to plan participants, please verify what amount we should use for the volume of printing, labels and postage related to these committee communications.

Answer 96: A majority of the participant communications are included with the quarterly participant statement. Please refer to response to question no. 105.

Question 97: Please describe the current service provider's processes around the administration of the Life Insurance options.

Answer 97: Please refer to response to question no. 3.

Question 98: Are the life insurance premiums paid by the employees deferred compensation contributions or are they deducted from the existing account balances?

Answer 98: They are paid from the participant deferred compensation payroll deductions and only upon special request by a participant to pay the premium from their account balance.

Question 99: Is the new provider responsible for remitting the premiums to the insurance company from the employees account balances?

Answer 99: Remittance is from payroll deductions not from employee account balances.

Question 100: Please clarify what the new provider's responsibility for this administration will be in addition to putting the cash value amount on the statement.

Answer 100: Please refer to the response to question no. 3.

Question 101: Please provide a five-year history of credit rates for the blended fixed option, as well as the returns for the underlying investments.

Answer 101: Not available.

Question 102: What revenue sharing is currently provided by each of the fixed investment option providers to support the plan administration and other servicing?

Answer 102: The answer to the question is not required for your proposal response.

Question 103: Would AIG VALIC be responsible for setting the quarterly crediting rate? If so, can we see a description of their current methodology? An example would be helpful. How are the rules regarding flows of contributions and distributions self managed?

Answer 103: The respondent is expected to describe their proposed methodology. Rules regarding flows of contributions and distributions are described in the RFP Section 1 page 37. See also response to question no.11.

Question 104: What expense is charged against the fixed option returns listed on page 36 of the RFP?

Answer 104: Not available.

Question 105: The proposal stated that we should cover costs of ad-hoc Committee mailings to participants. How many mailings per year are typically required? Please provide an example.

Answer 105: Most information is included with participants' quarterly statements. Please cost separately a mailing to all eligible participants, approximately 41,000 and include it in the cost proposal section of your proposal response.

Question 106: We would like to verify that you prefer information as of June 30, 2003 in completing the exhibits in Section 3, even though in question 11, Section 3 information is requested for the Stable Value Fund as of September 30, 2003.

Answer 106: All fund performance data is to be provided with September 30, 2003 data.

Question 107: For Section 3, question 6, should forward earnings growth estimate be reflected for the "3-year extension growth rate"? If no, please provide definition of "3-year extension growth rate."

Answer 107: See Change #III.

Question 108: Currently how is the liquidity managed? Is there a cash component within the CBFA?

Answer 108: Current service provider performs the process. The process is described in RFP Section 1 page 37. The CBFA does contain a cash component.

Question 109: Who "manages" CBFO with respect to overall asset allocation, liquidity management, portfolio risk, manager performance, etc?

Answer 109: Please refer to response to question no. 57.

Question 110: What are the benchmarks for the Synthetic GIC managers?

Answer 110: Refer to response to question no.57.

Question 111: Is the City open to new asset classes within the CBFA?

Answer 111: Yes. See also response to question no.14.

Question 112: What is the anticipated implementation/live date?

Answer 112: Please refer to our response to question no. 1.

Question 113: What is the anticipated award date?

Answer 113: Please refer to response in question 1.

Question 114: Can the City provide more detailed information on the administration requirements of the life insurance component?

Answer 114: Please refer to our response to question no. 3.

Question 115: Can the City provide more detailed information on the administration requirements of the salary continuation component?

Answer 115: The salary continuation component is the term life insurance contracts. Refer to our response to question no.20.

Question 116: What are the terms for which the City can terminate a contract?

Answer 116: Please refer to response to question no. 23.

Question 117: Please clarify plan expenses to be paid for service provided outside of this RFP (estimated allocation approximated to be \$150,000 or higher). How does the City envision these expenses being paid (e.g. direct trust expense, reimbursed expense, etc.)?

Answer 117: Explicit terms will be incorporated into the final negotiated agreement.

Question 118: We understand that approximately \$440 million of the CBFA, is held by Hartford Life Insurance Company in a fixed annuity product and is not available for cash transfer until the end of their contract expiration date of November 14, 2006. While The Hartford will maintain the assets for the specific fund, the new recordkeeper will have responsibility for administering this option. Will this asset class be subject to revenue sharing either through the use of offsets or add-ons in order to cover the cost of administering this option?

Answer 118: This may be negotiated between the City and the selected service provider.

Question 119: During the vendor conference on Friday, November 14, 2003, the City confirmed that 403(b) administration would be considered in addition to 457 plan administration experience. Is it correct to assume that the same consideration will be applied to 401(k)-plan administration expertise?

Answer 119: Yes.

Question 120: Understanding that the following request is data intensive and possibly difficult to obtain, is it possible to provide the following information in order to refine our offer and identify the best possible fee structure for the City: Call Center Call Volume; Interactive Voice Response (IVR) System Volume; Internet Volume; Forms processed (by type);Enrollments (by channel); Fund Transfers (by channel).

Answer 120: The data for the questions (above) is currently not available.

Question 121: What is the City's current cost for postage? What is the typical cost per piece (e.g. enrollment kits, confirmation notices, etc.)?

Answer 121: Those costs are fully paid for by our current service provider. Also, see response to question no.105.

Question 122: In the proposed early retirement program, how many participants are being offered a package (by age category)?

Answer 122: Answer to the question not required for your proposal response.

Question 123: What is the number of new hires (eligible for plan) per year?

Answer 123: 2002: 1104 2003: 883 (to date)

Question 124: What is the number of retirees/separations (in plan) per year?

Answer 124: 2002: 2800 2003: 2428 (to date)

Question 125: For the existing 12 on site resources, how do they typically spend their time: one-on-one meetings; Group meetings; Seminars; Other?

Answer 125: Please refer to response to question no. 35.

ACKNOWLEDGMENT

I hereby acknowledge receipt of Addendum Number 1 to the Request for Proposals (RFP) for Deferred Compensation Service: Investment Management, Recordkeeping/Administration Communication/ Education and Custodial Trustee Services, Specification No. 16871, and further acknowledge that I am authorized to execute this Addendum No. 1 on behalf of the company listed below.

Signature of Authorized Individual

Title

Name of Authorized Individual (type or print)

Company Name

Business Telephone Number

,
END