



**Delaware State Treasury Deferred Compensation Consulting Services Request for Proposal**

Contract #OE01501-DCCONSULT

Summary of Questions and *Answers* ("FAQs")

*Released August 1, 2014*

- 1) Is there a current consultant for this mandate? If so, can you indicate who they are? Will they be bidding in this process? Why are they being replaced? ***There is no current consultant.***
- 2) Can you tell us what the incumbent investment consultant's annual fee is/was? *N/A*
- 3) How many meetings do you anticipate the investment consultant will attend? ***We expect 4-6 meetings per year.***
- 4) Why has the State of Delaware started the RFP process for a DC consultant at this time? ***To assist us in reviewing vendor relationships.***
- 5) Does the State of Delaware have an interest in consolidating the number of providers on the 403(b) plan, or is it the State's intent to continue to offer all 13 providers? ***The State is interested in reducing the number of vendors for the 403b.***
- 6) If the intent is to retain all 13 providers, is the advisor expected to conduct its regular reviews on all funds available through all of the providers? *N/A*
- 7) When were record keepers/ vendors out to bid last? ***More than 3 years ago.***
- 8) When do you anticipate consultant to issue an RFP for record keeper vendors? ***Fourth Quarter 2014.***
- 9) What is the name of current TPA consultant? *N/A*
- 10) Who is responsible to select the consultant? Please identify if it is a board of trustees and/or committee? ***The Deferred Compensation Council will select a review committee.***
- 11) How many committee and board members are there? *7*
- 12) How often should performance measurement reports be submitted for Deferred Compensation Plans? ***Quarterly.***
- 13) How often are investment committee meetings held for the "Plan" where consultant needs to make a presentation? ***Quarterly.***
- 14) Can you provide a list of the investment options including ticker symbols for the 13 plan's fund offerings and the allocations as of June 30, 2014? ***Not at this time.***
- 15) What are the names of vendor distribution and assets for each vendor? ***See our website, www.delawaresaves.com for list of vendors.***

- 16) In addition to assistance with the review of the current plans and the RFP project, would you like to receive proposals for ongoing consulting and investment performance monitoring? **Yes.**
- 17) Have you previously conducted the annual fee analysis referenced in the Scope of Services? If yes, can you provide a copy of the most recent analysis? **Not within the last 3 years.**
- 18) For the 457 plan, can you provide a report or spreadsheet that shows the assets by fund? **Not at this time**
- 19) For the 403(b) plan, can you provide a report or spreadsheet that shows the assets by vendor? **Not at this time.**
- 20) What firm provides recordkeeping for the 401(a) match plan? Does this plan offer the same investment options as the 457 plan? Should this plan be included in the RFP project? **Fidelity is the current record keeper. The 401a and 457b have the same investment options. The 457b, 401a, and 403b should be considered.**
- 21) Does the 457 Plan currently offer custom asset allocation funds (either multi-manager investment options or custom target date funds)? For purposes of this RFP, are you seeking a proposal to develop and implement custom options? **We are open to all options regarding custom asset allocation and / or target date funds.**
- 22) What percentage of assets are illiquid at the discretion of the plan sponsor (i.e. cannot be mapped)? **The 403b does include annuity contracts that are subject to deferred sales charges.**
- 23) Are their products with CDSC's or similar fees, and if so, which vendors and plans include these fees? **Please visit our website [www.delawaresaves.com](http://www.delawaresaves.com) for vendor specific product information.**
- 24) The costs of monitoring several hundred investment options is prohibitive. Would the state be open to a bid that restricts detailed investment monitoring to a future limited that is more limited, for example, fewer than 30 investment choices? **Yes.**
- 25) Would the state prefer a single price including the costs of a recordkeeping search, or separate prices for the search and the retainer relationship? **Separate.**
- 26) Which vendors currently employed by the state offer managed account services? **Information not available at this time.**
- 27) How many vendors in the 403(b) plans offer loans currently? **Loans are not permitted.**
- 28) Is the state seeking to obtain a third party compliance TPA to provide the services currently offered by VALIC in the plans, and if so, will there be a search for those services also? **Yes.**
- 29) Could you provide the most recent performance reports for the plans? **Not at this time.**
- 30) Could you provide the most recent investment policy statement for the plans? **Please see the attached "Statement of Investment Policy."**
- 31) In regards to a course of action to improve the from both an administrative and investment perspective, are there any providers or funds that are off-limits? **Please review RFP.**

**State of Delaware Deferred Compensation Program  
Statement of Investment Policy**

Adopted 1/ 22/ 03

Last Revised 5/22/07

**Foreword**

This statement of Investment Policy is intended to summarize the underlying philosophy and processes for the selection, monitoring, and evaluation of investment options offered under the Delaware Deferred Compensation Program ( "Program"). This policy has been developed to fulfill the Deferred Compensation Council's ( "Council") fiduciary responsibilities.

It contains:

1. An outline of Program structure and underlying philosophy;
2. Performance objectives and other criteria to be used by the Council to review and evaluate the investment results of Program investment options; and
3. Responsibilities of the Council and the investment managers.

These guidelines will be revised and modified as appropriate on a periodic basis to reflect such factors as changes in the investment environment, manager performance, participant objectives and the Council's expectations.

**General**

It is the intention of the Council that the assets of the Program be maintained in compliance with all applicable laws governing the operation of the Program. Practices in this regard include, but are not limited to, the following:

- Program investment options shall be selected and monitored with the care, skill and diligence that would be applied by a prudent professional investor, acting in a like capacity and knowledgeable in the investment of retirement funds.
- All transactions undertaken on behalf of the Program shall be for the sole interest of participants and beneficiaries.
- The Council will select and retain funds after satisfactory review of such factors as the investment experience of the underlying manager, the suitability of the investment approach, the investment record, and the other components as listed in the Investment Option Review Criteria Section.
- Participants will be provided the opportunity to obtain sufficient information to make informed decisions with regard to the investment alternatives available under the Program.

## **Investment Objectives and Program Structure**

The Program is a defined contribution plan, which provides for contribution by the employees of the State and for matching contributions by the State in the Match Plan. . The objective of the Council is to offer a sufficient range of investment options to allow participants to diversify their balances and construct portfolios that reasonably span the risk/return spectrum. The Council will continue to re-evaluate the investment option structure to focus on diversification, low cost and simplicity while minimizing possible duplication.

Investment options have been selected that:

- Cover a risk/return spectrum of appropriate investment classes;
- Are distinguishable and have distinct risk/return characteristics;
- Are well-diversified and professionally managed;
- Charge fees that are reasonable for the asset class and investment style; and
- Provide, in the aggregate, the participant with the opportunity to structure a portfolio with risk and return characteristics at any point within a normally appropriate range of investment strategies.

In order to provide appropriate investment alternatives for the participants, investments in at least the following asset classes will be made available:

### **Low Risk Funds**

Investment vehicles under this Program option should be invested in money market securities and/or in stable value instruments with a short term ( 1 – 4 years) average duration.

### **Balanced Funds**

Investment vehicles under this Program option should be invested among domestic and international stocks, bonds, and cash, and are to be designed to realize the benefits of strategic asset allocation among these asset classes.

### **Equity Funds**

Investment vehicles under this Program option may include an array of domestic equity options that will provide participants with the ability to invest in funds that differ in investment style (growth vs. value) and capitalization bias (large cap., mid cap., small cap.). Further, equity alternatives may be offered that strive to match or exceed appropriate stock market indices.

### **Intermediate Bond Funds**

Investment vehicles under this Program option should be invested in investment grade debt securities with an intermediate term (3 – 10 years) average duration.

**International Funds**

Investment vehicles under this Program option should be invested in securities of countries outside the U.S. and diversify their investments across a broad range of markets and securities.

**Investment Risk**

Investment risk will be limited by appropriate diversification both within and between asset classes. A depressed sector of the investment market may lead to a negative return on a specific investment sector in any particular year. This could result in the value of participants' investment returns falling in any particular year. Participants bear the investment risk and reap the rewards in respect to the returns credited to their investment options. Fluctuations in investment returns directly affect investment benefits accruing to participants.

**Investment Option Review Criteria**

The Program will track performance and fully review the investment options on an annual basis. The annual review will include, but will not be limited to, evaluations of the following:

- Fund assets
- Performance vs. appropriate benchmarks over various time periods
- Performance vs. appropriate peer groups over various time periods
- Risk-adjusted returns analysis over short- and longer-term periods
- Style analysis
- Level of volatility
- Portfolio manager experience
- Consistency of investment strategy
- Fees
- Current level of participation among Program participants (number of actively deferring/account holders, total current monthly deferrals, total funds in Program)
- Other pertinent information as available

Each investment option will be compared to recognized, appropriate indices (benchmarks), and within universes of investment managers and investment options with similar styles (peer groups). A benchmark is defined as an unmanaged group of securities whose overall performance is used as a standard to measure investment performance (such as S&P 500). A peer group is defined as a group of managed funds, grouped together by an independent agent (such as Morningstar or Lipper). Performance will be considered over a full market cycle (typically a three- to five-year period), with emphasis to be placed on long-term performance (five- and ten-year periods).

If an investment option under performs appropriate market indices and the peer group median over the longer term (5 and 10 year periods) and the most recent 1 and 3 year periods have not shown evidence of adequate improvement, the Council will seek to determine to the extent possible why performance has lagged and what corrective actions have been or are being taken by the Investment Manager. The Council's review of underperforming funds shall also include a review of the fund's utilization by Program participants.

### **Distinction of Responsibilities**

#### **Council Responsibilities**

The Council will direct its duties with respect to the Program solely in the interest of the Program's participants and beneficiaries. The duties and responsibilities of the Council include:

- Developing, reviewing, and revising Program investment policies;
- Evaluating investment advisor and individual investment option performance;
- Appointing/discharging investment advisors;
- Evaluating and recommending investment advisor changes; and
- Providing participants with access to educational materials and other information regarding the investment funds and basic principles of investing.

#### **Investment Manager(s) Responsibilities**

As named fiduciary, the Council may retain the services of an Investment Manager(s) to assume all or part of the Council's duties under this Statement of Investment Policy. The duties and responsibilities of the Program's Investment Manager(s) may include:

- Communicating with and reporting to the Council on a regular basis (at least annually);
- Notifying the Council of any issue that may impact the investment of Program assets (e.g., material changes in ownership, professional staff, investment philosophy and/or process);
- Safekeeping of securities, settlement of trades, collection of income and administrative reporting
- Investing Program assets with the care, skill, prudence and diligence that a prudent investment professional would exercise in the investment of those assets; and
- Meeting as requested with the Council to discuss investment strategy and review past performance.