

# OKLAHOMA PUBLIC EMPLOYEES RETIREMENT SYSTEM

## *Question and Answer Document*

### **SoonerSave and Pathfinder Stable Value Fund Investment Manager Services**

**RFP #515-23-003**

1. **QUESTION:** *Is OPERS open to considering more flexible investment guidelines that have been approved by wrap providers and may include additional asset classes not included in their current portfolio (e.g. corporates, non-government securities), but that are still stable-value-appropriate? It appears today that the current portfolio invests exclusively in U.S. government and agency securities.*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

2. **QUESTION:** *Does OPERS currently use (or plan to use) a 3<sup>rd</sup> party fund accountant for their stable value separate account or would the proposed manager be asked to serve in this capacity?*

**ANSWER:**

The current structure of the Stable Value Fund is a group annuity in the form of a Separate Account. As such the current provider acts as “accountant” for the fund. OPERS maintains a relationship with a custodian bank for the administration of the defined benefit plans that could be leveraged if needed.

3. **QUESTION:** *Who is the custodian for the Soonersave and Pathfinder Plans?*

**ANSWER:**

Empower

4. **QUESTION:** *Does the plan’s custodian hold the bonds of the stable value fund? Or is the manager responsible for establishing a custodial account with a third-party custodian to hold the bonds of the stable value fund?*

**ANSWER:**

The Fund is an insurance company separate account, therefore custody of assets rests with the current provider. OPERS maintains a relationship with a custodian bank for the administration of the defined benefit plans that could be leveraged if needed.

5. **QUESTION:** *Can the stable value separately managed account be constructed using underlying commingled bond funds instead of separately managed bond portfolios?*

**ANSWER:**

Current guidelines are unlikely to accommodate the use of comingled bond funds. However, if a suitable fund (or funds) is identified, OPERS is open to use of this option.

6. **QUESTION:** *Is there a Master Trust that allows for the commingling of the stable value assets of the Soonersave and Pathfinder Plans?*

**ANSWER:**

There is no Master Trust, but the stable value assets for all four plans (SoonerSave 457(b)/401(a) and Pathfinder 457(b)/401(a)) are managed in one pool.

7. **QUESTION:** *Is the plan's current custodian able to offer a STIF vehicle to serve as the cash buffer of the stable value portfolio? Is it the Board's intent that the stable value manager is responsible for selecting the cash buffer.*

**ANSWER:**

The plan uses a STIF vehicle offered by the current custodian. Staff could assist in the selection of a STIF for the fund if necessary.

8. **QUESTION:** *The guidelines limit allowable securities to only US Government and Agency securities which is consistent with the current stable value manager's investment approach. Is Board open to expanding the stable value guidelines to include other sectors such as corporates, asset-backed, commercial mortgage-backed and other high-quality investment-grade sectors of the fixed income market?*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

9. **QUESTION:** *Are the two plans only available to employees of the State of Oklahoma?*

**ANSWER:**

Yes, plan participants are employees of the State of Oklahoma and eligibility is determined by state statute.

10. **QUESTION:** *Does the State allow cities, counties and other municipalities in Oklahoma to participate in the plans? If so, then approximately what percentage of each plan balance is attributed to non-state municipalities?*

**ANSWER:**

No

11. **QUESTION:** *The RFP makes several references to "recordkeeping offsets". What is the current level of the recordkeeping offset that is included for the current Stable Value Fund? Is there specific basis point charge that we should assume for the stable value recordkeeping offset?*

**ANSWER:**

The current Fund management fee is 13 basis points and the wrap fee is 15 basis points. The total fee for the Stable Value Fund is 28 basis points. References to recordkeeping offset should be stated and reflected, if applicable, in the proposed “total fee.”

12. **QUESTION:** *Are plan participants current allowed to transfer directly from the stable value fund to the plan’s brokerage window without restriction (aka “equity wash” transfer restriction)?*

**ANSWER:**

Yes, participants may transfer directly to the brokerage window without restriction.

13. **QUESTION:** *The RFP included stable value balances as of 9/30/22 and 9/30/21. Can you also provide stable value balances for 9/30/18, 9/30/19 and 9/30/20?*

**ANSWER:**

SVF ASSETS	9/30/2018	9/30/2019	9/30/2020
SoonerSave 457	\$253,222,990	\$252,030,548	\$257,790,033
SoonerSave 401(a)	\$71,357,511	\$70,116,438	\$71,567,284
Pathfinder 401(a)	\$1,574,745	\$3,193,656	\$5,434,284
Pathfinder 457	\$9,118	\$70,131	\$179,380
TOTAL	\$326,164,364	\$325,410,773	\$334,970,981

14. **QUESTION:** *Will there be an IMA provided or would the plan prefer to use Invesco’s IMA if we happen to be selected for the mandate?*

**ANSWER:**

OPERS will provide an IMA and other necessary legal documents.

15. **QUESTION:** *Is there a book value exit provision for the current Great West product, or is an in-kind transfer of assets being contemplated?*

**ANSWER:**

There is no book value exit provision contained in the current contract. The in-kind transfer of assets is a potential mechanism for transition, should a new provider be selected by the Board.

16. **QUESTION:** *The current investment guidelines show types of investments as obligations of the US government and agencies thereof. Will OPERS consider other sectors (ABS, CMBS & Corporate)?*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

**17. QUESTION:** *The current investment policy states that “Assets in the account are not commingled with the assets of any other entity”. Will OPERS consider commingled vehicles (e.g., bank collective investment trusts) as underlying investments in a separate account managed exclusively for OPERS?*

**ANSWER:**

Yes, if a fund is identified that is consistent with guidelines approved by the Board, OPERS will consider that vehicle.

**18. QUESTION:** *Does OPERS have a current custodial relationship that vendors could work with, or is the Vendor expected to provide a custodial solution for the Stable Value Fund?*

**ANSWER:**

OPERS maintains a relationship with a custodian bank for the administration of the defined benefit plans that could be leveraged if needed.

**19. QUESTION:** *The RFP states that all proposals, once opened, are considered to be public record and shall be available for viewing and reproduction by any person. Would it be possible to have some sections of our response deemed trade secrets and removed from the public record?*

**ANSWER:**

No.

**20. QUESTION:** *Can you please provide the historical crediting rate for the stable value fund?*

**ANSWER:**

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
2021	1.45	1.40	1.25	1.15
2022	1.15	1.10	1.75	1.75

**21. QUESTION:** *Can you please provide the historical monthly net participant cash flows to/from the stable value fund?*

**ANSWER:**

	Contributions	Transfers In	Transfers Out	Withdrawals
Jan-22	\$ 709,859.70	\$ 4,138,198.79	\$ (1,631,884.59)	\$ (1,981,027.71)
Feb-22	\$ 606,218.08	\$ 3,653,121.31	\$ (2,505,810.06)	\$ (1,729,204.93)
Mar-22	\$ 514,500.20	\$ 2,401,396.32	\$ (1,100,831.44)	\$ (2,586,921.56)
Apr-22	\$ 761,299.20	\$ 2,681,477.89	\$ (1,962,811.29)	\$ (1,804,795.79)
May-22	\$ 556,675.54	\$ 2,837,421.59	\$ (1,604,006.27)	\$ (2,678,569.40)
Jun-22	\$ 582,571.81	\$ 6,667,807.98	\$ (919,951.43)	\$ (1,880,807.25)
Jul-22	\$ 835,613.97	\$ 3,060,726.37	\$ (819,310.54)	\$ (3,073,782.16)
Aug-22	\$ 356,472.89	\$ 1,718,727.04	\$ (2,080,681.27)	\$ (2,066,962.49)
Sep-22	\$ 689,665.65	\$ 1,638,030.27	\$ (851,704.94)	\$ (2,729,163.17)

Oct-22	\$ 962,595.03	\$ 1,990,456.05	\$ (714,877.96)	\$ (2,574,036.83)
Nov-22	\$ 710,348.09	\$ 632,687.58	\$ (764,390.15)	\$ (2,701,287.07)

**22. QUESTION:** *Is there an automated investment advice model? If yes, can you please provide a description of the program / model? How many participants utilize the advice model, and what are the total assets of the plan that are under the discretion of the advice model? What percentage of these assets has been allocated to the stable value option?*

**ANSWER:**

No, OPERS does not offer fund-specific advice or managed accounts.

**23. QUESTION:** *Is the current stable value investment in a separately managed account just for OPERS or is it in a pooled arrangement?*

**ANSWER:**

The current stable value fund is in a separately managed account for OPERS' plans only.

**24. QUESTION:** *Are you able to share the cost/expense ratio of the current stable value investment?*

**ANSWER:**

The total fee is 28 bps, which includes the investment management fee (13 basis points) and wrap fee (15 basis points).

**25. QUESTION:** *Are both the pooled or separately managed account structures possible going forward or does OPERS require a specific structure? Your investment policy seems to imply that the stable value investment will be in a separately managed account (page 30 of 54), but the RFP seems to imply that you're open to either arrangement (page 15 of 54, section E).*

**ANSWER:**

OPERS does not require a specific structure. If a comingled vehicle is identified that is consistent with the Board's preferred guidelines, it will be considered.

**26. QUESTION:** *Are you able to share current fund stats including crediting rate, market-to-book value %, underlying portfolio yield, duration, and average credit quality?*

**ANSWER:**

9/30/2022 – Current gross crediting rate 1.75%  
Market to book 91.9%  
Underlying portfolio yield – 2.28%  
Duration – 3.1 yrs.  
Avg Credit quality – AAA

**27. QUESTION:** *Are you willing to modify your IPS/guidelines to permit investment in investment grade corporate debt, asset backed securities (cards and autos) and CMBS?*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

28. **QUESTION:** *Is there a master trust that holds all the Stable Value assets of the participating plans? Or does each plan have its own separate contractual agreement under the Stable Value Fund?*

**ANSWER:**

There is no Master Trust, but the assets for all four plans are managed in one pool. The Stable Value Fund is administered under one contract with the current provider.

29. **QUESTION:** *Is the stable value option utilized in any target date options offered to participants?*

**ANSWER:**

No

30. **QUESTION:** *Are responses permitted to be submitted with manager's template (ex., manager header/footer/logo) or does the template need to remain as-is with the SoonerSave and Pathfinder footer?*

**ANSWER:**

Responses may be submitted with the manager's template. The questions must not be changed from the RFP format.

31. **QUESTION:** *In section X of the questionnaire, the proposal summaries include a table that requests Investment Management Fee, Wrap Fee, Trust and Custody Fee, and Sub Advisor Fee. Trust and Custody are typically the responsibility of and arranged by the Plan, therefore fees for Trust and Custody are specific to the Plan and not known by the investment manager unless disclosed. If it is desired to have all fees reflected in the proposal summary, will OPERS please provide the Plans' Trust and Custody fees?*

**ANSWER:**

Vendor should state the investment management fee and wrap fee. If comingled vehicle is used quoted fees should include all other fees including trust, custody, sub-advisor, etc.

32. **QUESTION:** *In the description of the Stable Value Fund in the Investment Policies and Guidelines (pages 30 and 44 of the RFP), the Account Structure is defined as "This core investment option will be offered in a separate account with the vendor as investment manager and custodian. Assets in the account are not commingled with the assets of any other entity."*
- a. *Is it required that the vendor act as investment manager and custodian as described in the first sentence?*
  - b. *Is it permitted to manage all the stable value fund assets of SoonerSave and Pathfinder in one portfolio and unitize the participation of each plan in the portfolio? Or, are four separately managed accounts required; one for each of SoonerSave 457 and 401(a) and Pathfinder 457 and 401(a)?*

**ANSWER:**

No, the vendor is not required to act as both investment manager and custodian. OPERS maintains a relationship with a custodian bank for the administration of the defined benefit plans that could be leveraged if needed.

The Stable Value Fund assets for both the SoonerSave and Pathfinder Plans are currently managed in one pool.

33. *QUESTION: Is the current Empower GIC a CIT or a Separate Account?*

**ANSWER:**

The current Stable Value Fund product is a group annuity contract managed as a separate account at the current provider.

34. *QUESTION: Which firms are the current wrap providers on the Empower GIC?*

**ANSWER:**

Empower is the provider of the wrap.

35. *QUESTION: Is there any flexibility in the existing investment guidelines (for example, to include ABS and corporates)?*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

36. *QUESTION: Does the current Empower GIC include a put provision?*

**ANSWER:**

There is no book value exit provision in the current contract.

37. *QUESTION: Would it be possible to see a current portfolio?*

**ANSWER:**

The current portfolio conforms with the provided guidelines and investment policy.

38. *QUESTION: Would OK PERS consider other underlying fixed income strategies to back the stable value option that would include exposure to corporate bonds, ABS and CMBS?*

**ANSWER:**

All Fund guidelines are approved by the Board. OPERS is satisfied with the current guidelines and resulting composition of the Fund. Staff is open to discussions regarding these guidelines when deemed appropriate, but that is not the intent of this RFP process.

39. **QUESTION:** *How many 1-1 client meetings and group meetings does the current recordkeeper provide? Is the system seeking more 1-1 and group meetings than currently provided?*

**ANSWER:**

The current contract provides a dedicated full-time education counselor for our plans.  
Group meetings average 175 per year.  
Individual meetings average 900 per year.

40. **QUESTION:** *Please confirm the most current market to book ratio for the stable value investment.*

**ANSWER:**

91.9%

41. **QUESTION:** *Please confirm the total expense ratio/fees for the stable value investment.*

**ANSWER:**

The total fee is 28 bps, which includes the investment management fee (13 basis points) and wrap fee (15 basis points).

42. **QUESTION:** *Please confirm the number of total unique participants across all Plan types.*

**ANSWER:**

	Participants
SoonerSave 457 & 401a	29,200
SoonerSave 457 only	950
SoonerSave 401(a) only	2,100
Pathfinder	16,638

43. **QUESTION:** *The Plan highlights document indicates a monthly charge of \$2.61. Is this charge assessed to each unique participant only once? Or if a participant holds both a 457(b) and 401(a) account, would each participant be charged \$5.22 per month?*

**ANSWER:**

The participant fee totals \$31.32 per year. This amount is collected through a \$2.61 fee, assessed once per month per participant and is only taken from one plan.

44. **QUESTION:** *Does the current recordkeeper retain all of the monthly fee revenue or is a portion of the revenue directed to a Plan expense account? If the latter, how much fee revenue is the current recordkeeper permitted to retain?*

**ANSWER:**

OPERS does not maintain a Plan expense account with the current provider. The \$2.61 monthly recordkeeping fee is collected from each participant and retained by the recordkeeper. Mutual fund reallocations are returned to participants monthly.



**45. QUESTION:** *Does the current investment lineup produce mutual fund reimbursements? If so, is this revenue retained by the current recordkeeper, returned to participants or directed to a Plan expense account?*

**ANSWER:**

Mutual fund reallowances are returned to participants.

**46. QUESTION:** *The Financial Statements included in the RFP include a line item titled “OPERS Administrative reimbursement”. How is this revenue generated?*

**ANSWER:**

The “OPERS Administrative reimbursement” is a fee collected by OPERS from SoonerSave and Pathfinder participating employers. The fee is retained by OPERS and used to defray administrative costs of the Plans.

**47. QUESTION:** *What level of marketing support and customization do the Plans desire? I.E. custom quarterly newsletters, custom campaigns, Spanish capabilities, etc.*

**ANSWER:**

The current recordkeeping contract provides custom statements and newsletters, custom campaigns, custom participant websites and Spanish capabilities.

**48. QUESTION:** *Are both the Employer Discretionary contributions and the Employer Match Contributions subject to the same vesting schedule?*

**ANSWER:**

Employer contributions to the SoonerSave 401(a) Plan are immediately vested.

Employer contributions to the Pathfinder 401(a) Plan vest over a 5-year period, at a rate of 20% per year.

**49. QUESTION:** *What are the details of the 5 year vesting schedule? What are the unique break in service rules entail?*

**ANSWER:**

Employees vest in employer contributions at 20% per year and are 100% vested after 5 years. Service years are counted in 365-day increments, no rounding is allowed.

Unvested funds are forfeited and should be swept from the participant’s account 90 days after termination.

Re-hires retain previous service days and vested dollars and begin accruing additional time on the day of re-hire.

ex. An employee whose first employment period equals 1 year and 200 days - if this employee is re-hired they would begin accruing time toward vesting on the 201<sup>st</sup> day of the second year, regardless of the break in service time.

**50. QUESTION:** *Is SoonerSaver still open to new participants if they were hired prior to November 2015?*

**ANSWER:**

Yes.

Additionally, employees re-hired in an eligible position, whose first employment period was prior to November 1, 2015, may participate in SoonerSave.

**51. QUESTION:** *Will the successful vendor be responsible for monitoring eligibility into the plans?*

**ANSWER:**

No, eligibility is determined by the employer with assistance from OPERS when needed.

**52. QUESTION:** *Are rehired participants eligible for SoonerSaver participation or must they enter PathFinder?*

**ANSWER:**

Employees re-hired in an eligible position, whose first employment period was prior to November 1, 2015, may participate in SoonerSave.

**53. QUESTION:** *Would the State be interested in activating online enrollment and online distributions for the SoonerSaver plan?*

**ANSWER:**

Staff is willing to discuss this as an option.

**54. QUESTION:** *Do either of the plans offer loans?*

**ANSWER:**

No, loans are not offered in either of the Plans.

**55. QUESTION:** *Please confirm the number of participants with SDO accounts.*

**ANSWER:**

Self-Directed Brokerage Option participants as of 9/30/2022

Plan	Participant Count
SoonerSave 457	77
Pathfinder 401(a)	24
Pathfinder 457	5

**56. QUESTION:** *I was hoping you could provide me with some information on what the OK Public ideal Stable Value Solution would look like? Are they interested in a Separate Account, Co-mingled Separate Account, General Account or other custom solution?*

**ANSWER:**

OPERS is open to considering all available vehicles.