

**HESAA 2023 Request for Proposals
NJBEST Investment Manager (RFP)
Potential Contractor's Questions & HESAA's Answers**

Below are the responses to questions received which were relevant to the present procurement:

1. Is the requirement in this RFP to bid on both plans or is it permissible to bid on one or the other?

The preference is for bidder to bid on both plans, however, HESAA will consider bids for one plan only if it is in the best interest of the State.

2. Will you accept a bid that does not include national marketing?

All bids for both plans or advisor-sold only plan must include national marketing. HESAA will only accept a bid that does not include national marketing if the bid is solely for the direct-sold plan.

3. Section 7.13 Licenses and Permits

- a. Aside from the brokerage – related registrations, what other licenses, permits, or authorizations would be required to perform this contract?

The bidder is responsible for identifying any required licenses and permits.

4. Section 4.4(s)

- a. Will you please verify who is responsible for paying for the annual audit?

The selected contractor pays for the annual audit.

5. What is the size (accounts / AUM) of the pre 2003 cohort? Can they expand on what investment discretion and responsibility is expected of new provider for existing line-up vs proposed line-up?

As of 09/30/23 the pre-2003 cohort is 4,213 accounts/\$104.3 million AUM. Investment options for these accounts are the same as the options for NJBEST accounts.

6. Section 4.7: The contractor must provide custodial banking services for assets under its management and assets under investment management by the Division. Will you please verify the definition of "bank" under NJ law and provide the citation. Also, can you verify what assets require the custody services of a bank.

- a. Structure of the NJ DOI managed accounts?
- b. Is the requirement to sub-contract to a bank specific to the DOI Managed accounts or NJBEST as well?
- c. Is the requirement to sub-contract to a bank limited to safekeeping of the assets or all services within the agreement (i.e. daily fund accounting, pricing, and NAV computation of the portfolios, serving as the official book of record)?

The custodian must be a "qualified custodian" within the meaning of SEC Rule 206(4)-2(d)(6) under the Investment Advisers Act of 1940, as amended, as reflected in one or more custody agreements to be entered into among the Authority, the Program

Manager, the NJ Division of Investment, and the Custodian. All client funds must be included, with separate custodial accounts for funds invested through/managed by the Program Manager and funds invested through/managed by the NJ Division of Investment. The Plan Manager should also provide, or separately contract with a qualified third-party (which may or may not be the Custodian) to provide, all necessary transfer agent and recordkeeping functions, including with respect to IRS Form 1099Q reporting. Any such record-keeper must be registered with the SEC as a transfer agent under the Securities Exchange Act of 1934, as amended.

7. Will you please provide a breakdown of assets by firm for the advisor plan?

The plan currently uses 8 fund families for NJBEST/FT529 including Franklin Templeton, ClearBridge Investments, Western Asset, Brandywine Global, Martin Currie, Charles Schwab, iShares, and Ariel Investments.

8. Will you please provide data on quarterly new account and contribution activity for the five year period ending Q3 2023 for both the Direct and Advisor plans?

Please see attachment 1.

9. Will you please also show new account activity by firm/broker dealer for the Advisor plan?

Please see attachment 2.

10. Would it be possible to provide a breakdown of total funded accounts and assets by firm/broker dealer for the Advisor-sold plan and the total number of selling agreements in place?

Please see attachment 3.

11. Will you please provide a breakdown of plan assets and accounts by state for the Direct & Retail sold plans?

Please see attachment 4-Direct and attachment 4-Retail.

12. Will you please list any 529 omnibus relationships that exist now or are scheduled to exist prior to conversion?

Please see the answer to question 7.

13. Will any of the NJBEST assets automatically convert to the new program manager, or are current NJBEST account owners required to opt-in to the conversion?

Current NJBEST account owners have the option to convert to the new program manager.

14. Is it permissible for the new program manager to actively solicit those account owners who did not transition their accounts?

HESAA's current contract does not prohibit solicitation of current account owners by the new Program Manager. However, HESAA is not permitted to share any "Confidential Information" (as defined in HESAA's current contract) with the new Program Manager, and will neither encourage nor discourage existing account holders to take any particular course of conduct with respect to their accounts.

15. Will the current direct and advisor plans managed by Franklin Templeton be closed to new savers after April 2024?

Management of the current direct-sold plan will be assumed by the new Program Manager, except for certain grandfathered accounts (see answer to question 16). If the result of this RFP is the selection of a new Program Manager, the advisor-sold plan managed by Franklin Templeton would be closed to new accounts as of the termination date of HESAA's current contract.

16. Will the current direct and advisor plans managed by Franklin Templeton be closed to subsequent contributions to existing accounts after April 2024?

HESAA's current contract provides Franklin Templeton the option to retain accounts that are in existence as of the termination date of HESAA's current contract. That option may be exercised at any time up to the date of termination. If Franklin Templeton exercises that option, it will continue to manage those grandfathered accounts until all amounts in those accounts have been withdrawn, and existing account holders will be permitted to continue making contributions to those accounts.

17. Will the new plan have a different name and branding than the current plan?

The NJBEST brand name will continue to be used for the State of New Jersey direct-sold plan. HESAA will work with the selected contractor to maintain continuity.

18. Can an account owner/beneficiary combination have an account in both the current plan and the new plan?

Yes, account owners/beneficiaries can have both plans.

19. Can the new Program Manager communicate with existing account owners about the benefits of the new plan? If yes, can the state facilitate the acquisition of the current account owner contact information?

Please see the answer to question 14.

20. Does the state have a relationship with a marketing firm and does the state contemplate continuing that relationship?

HESAA does not work with a marketing firm at this time.

21. Who does the state contemplate doing the master aggregation?

As the record-keeper/custodian, the selected contractor should complete the master aggregation.

22. Can you provide total contributions and new accounts opened by year for the last three years?

Please see attachment 5.

23. Who is the record keeper, custodian and who performs fund accounting for the accounts and assets invested in the DOI option?

The current Program Manager is the record keeper, custodian, and performs fund account for the accounts and assets invested in the DOI option.

24. How many accounts are invested in the DOI investment option? Total assets in the DOI option?

Please see the response to question number 5.

25. Is the new Program Manager receiving the assets managed by the DOI?

Yes, the new Program Manager will receive the assets managed by the DOI.

26. Will the new Program manager be the record keeper, custodian and perform fund accounting for the accounts and assets in the DOI?

Yes, the new Program Manager will be the record keeper, custodian and perform fund accounting for the accounts and assets in the DOI.

27. We have reviewed New Jersey Statutes Annotated, Title 52, Chapter 18A, Section 91 (NJSA 52:18A-91) and New Jersey Administrative Code, Title 17, Chapter 16 (N.J.A.C. 17:16) and have the questions below:

a. In Appendix 3, Section 1.10 Compliance Monitoring and Reporting, Paragraph A: Can you please define the SIC regulations and other policies?

NJBEST is defined as a trust for purposes of N.J.A.C. 17:16.

b. In Appendix 3, Section 1.10 Compliance Monitoring and Reporting, Paragraph B 1(a): What is meant by "set of tests"? Can you provide a sample of an existing test?

"Set of tests" are contractor's tests for investment compliance pursuant to N.J.A.C. 17:16. DOI will provide a sample upon contract award.

c. In Appendix 3, Section 1.10 Compliance Monitoring and Reporting, Paragraph B 1(b): Please define "rule matrix"? Can you provide a sample matrix? Is there an existing matrix the DOI would like bidders to use?

Appendix 3, Section 1.10 B(1)b defines and documents each rule and respective compliance test. The Contractor may provide their own matrix. DOI will provide a sample upon contract award.

28. Does DOI have a preferred file format for the daily trades files for the DOI portfolios?

DOI will provide a sample upon contract award.

29. How will DOI send the record keeper the daily NAVs for the DOI portfolios?

NAV for the DOI portfolios will be provided by the custodian selected by the Program Manager.

30. Can the state provide a DOI transaction processing flow diagram?

Transactions will be processed by the Program Manager and its custodian.

31. Would the state consider mapping the existing savers in the DOI portfolios to the new investment portfolios managed by the new Program Manager?

The State is not contemplating mapping savers in the DOI portfolios to new investment portfolios at this time. Any change in this policy would be done in coordination with the winning bidder.

32. Page 5, Section 3.2 Current Status of NJBEST PROGRAM

“The Authority intends to maintain the investment option currently offered in the program for those participants who opened their accounts with the DOI prior to March 17, 2003, which continues to be managed by the DOI. This investment option has been closed to new participants since that date.

The Authority seeks bidders who will provide investment management for new investment options for participants and provide the additional services described in the Scope of Services section of this RFP to the entire program, including those investment options managed by the Division.

Is the Authority and the DOI open to bidders including proposed investment management of the option managed by the Division?

Proposed investment options should be available to all program participants, including those currently invested in DOI options.

33. Page 6, Section 4.1 Overview

“Under the program, the contractor shall be a single source provider and shall offer participant accounts for allocation of deferments, contributions, earnings, and withdrawals; provide management and recordkeeping services including storage of participant historical file documents; produce quarterly individual participant statements; maintain individual participant records; and provide education, research and enrollment services. The contractor shall also maintain the website for program participants.”

Can you please define deferments?

The contractor is not required to provide participant accounts for allocation of deferments. This requirement is waived.

34. Pages 12-13, Section 4.4 Recordkeeping and Administrative Services

“The contractor shall, at a minimum, provide the following services:

(k) Distribute earnings to accounts on a monthly basis;

(n) Provide Fund accounting for each fund operated by the program;

(w) Provide participant access to accounts through toll-free customer contact center, automated voice response system, and internet services;”

Would you please clarify in 4.4(k) above what “distribute earnings to accounts on a monthly basis” means?

The contractor is not required to distribute earnings to accounts on a monthly basis. This requirement is waived.

35. Please clarify in 4.4 (n) above that each “fund” should instead refer to each “portfolio.”

Yes, each “fund” refers to each “portfolio.”

36. Pages 14, Section 4.6 Marketing Services

“Bidders should include a section in their marketing plan regarding outreach to lower-income families in New Jersey who can benefit from the State’s matching grant program. Bidders should outline types of partnerships they would pursue with other organizations to market and encourage the opening of NJBEST accounts to individuals and families who do not use financial advisors. Such organizations include but are not limited to community- and faith-based organizations, civic groups, clubs, school boards, parent-teacher organizations, alumni organizations, primary and secondary schools, and institutions of higher education.”

Does the Authority prefer the contractor partner with them on partnerships and outreach to organizations (community- and faith-based organizations, civic groups, clubs, school boards, parent-teacher organizations, alumni organizations, primary and secondary schools, and institutions of higher education) or conduct their own outreach separate from the Authority's other efforts with these types of organizations. If separate, please describe what level of involvement or approval the Authority would like to have in this approach.

The Authority prefers a collaborative effort. The level of involvement will be determined with the selected contractor based on the scope of the outreach.

37. What date has been determined by the Authority in selecting and announcing the winning bidder?

The Authority intends to select and announce the winning bidder in the first quarter of 2024.

38. Does the Authority plan to conduct interviews and if so when would they occur?

The Authority reserves the right to conduct interviews if warranted after receipt of proposals. If interviews are necessary, they will occur in the first quarter of 2024.

39. Please describe the Authority’s scoring system in selecting a program manager.

The Authority's scoring system can be found in section 8.2 of the Request for Proposals.