

# Office of the Illinois State Treasurer

## Bright Directions RFP Questions and Answers

Question #	Question or Clarification Request
1.	<p>Please provide the following data for the past 3 calendar years (2012 – 2014):</p> <ul style="list-style-type: none"><li>• Ending assets</li><li>• Ending accounts (unique account owner/beneficiary combination)</li><li>• Annual gross inflows</li><li>• Annual gross outflows</li><li>• Annual new accounts; please provide breakdown for electronic enrollments vs. enrollments via a paper form</li><li>• Annual closed accounts</li></ul> <p>See Data Questions attached.</p>
2.	<p>For 2014, please provide the monthly breakdown of transactions by type:</p> <p>Check</p> <ul style="list-style-type: none"><li>• EFT</li><li>• Payroll contribution</li><li>• Rollover-in</li><li>• Rollover-out</li><li>• Qualified withdrawal<ul style="list-style-type: none"><li>• Payment via ACH</li><li>• Payment via Check</li></ul></li><li>• Account maintenance (address change, etc.) by paper form</li></ul> <p>See Data Questions attached for 2013 to February 2015.</p>
3.	<p>Please provide the breakdown of account owner state residencies.</p> <p>See Data Questions attached.</p>
4.	<p>Please provide the number of banking/ACH transactions annually from 2012-2014.</p> <p>See Data Questions attached for Question 2 above for 2013 to February 2015.</p>
5.	<p>Please provide statistics on employer-based activity: number of accounts contributing via payroll deduction, methods of employee contribution (i.e. check &amp; roster, ACH), and number of companies participating.</p> <p>171 companies currently offer payroll deduction via ACH and check/roster. 548 accounts received a contribution in Feb 2015.</p>

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6.	<p>Please provide the number of incoming calls annually from 2012 – 2014. Please specify which calls are for client services and which are for internal sales and marketing representatives. Also, are all of these incoming calls answered by a representative, or are any of them handled via an IVR?</p> <p>Total Calls 2012 – 49,027 2013 – 57,133 2014 – 64,755</p> <p>Majority of calls (approximately 90%) are client services calls.</p> <p>All calls are answered by a live representative. No calls are handled by an IVR.</p>
7.	<p>What is the average handle time of calls answered by a representative?</p> <p>Average talk time in 2014 was 206 seconds per call.</p>
8.	<p>Does the plan offer customer service or written program materials in any language other than English?</p> <p>No written materials. Approximately 10 calls request a Spanish language interpreter each month.</p>
9.	<p>What percentage of accounts had no financial activity in 2014?</p> <p>28%.</p>
10.	<p>What percentage of client output (statements, transaction confirmations, 1099Q) is issued via e-delivery?</p> <p>57% of statements.</p>
11.	<p>Please provide the number of confirms, statements, and 1099Qs mailed via paper each month in 2014.</p> <p>See Data Questions attached.</p>
12.	<p>Please provide a breakdown of marketing expenditures for the last 4 years (e.g., print, radio, collateral material production, TV, direct-mail, online, events, etc.).</p> <p>This information is proprietary to Union Bank.</p>
13.	<p>Please provide the most recent annual marketing plan.</p>

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	This information is proprietary to Union Bank.
14.	Please provide the number and location of wholesalers who distribute the plan.  This information is proprietary to Union Bank.
15.	Are there any contractual provisions that would prohibit the de-conversion of any accounts/assets from current investments if a new provider were to be chosen?  See the response to Question 30. The Treasurer, in his sole discretion, shall determine whether existing accounts will remain with the current Program Manager or be transferred to the Successor Contractor.
16.	Are there any B or C share outstanding liabilities that a new program manager would be expected to assume?  There are no outstanding B shares. Outstanding liabilities for the C shares are \$405,000. In a conversion, the new program manager would reimburse the current program manager at the time of transition.
17.	What are current plan assets by option by share class?  See Data Questions attached.
18.	The State has indicated that there are 101,000 accounts with \$1.75 billion in assets. Would you clarify the number of underlying <i>positions</i> in these accounts? For example, a unique beneficiary who holds three investment options in his/her account, would be considered to have three positions.  166,719.
19.	How many unique beneficiary accounts have been opened in each of the last 2 years?  14,001 in 2013, and 15,019 in 2014.
20.	What have been the inflows and redemptions over the last two years by Investment Option?  See Data Questions attached.
21.	What have been the inflows and redemptions over the last two years by Share Class?  See Data Questions attached.

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22.	<p>For any redemptions in each of the past two years, are you able to segregate withdrawals due to rollovers, college payments (qualified withdrawals) and non-qualified withdrawals?</p> <p>See Data Questions attached.</p>
23.	<p>Is there a fee to participants for rolling out of the plan?</p> <p>No.</p>
24.	<p>Please confirm that the \$3 per quarter annual fee is NOT waived under any circumstances.</p> <p>There are no waivers.</p>
25.	<p>For the existing C shares, what is the amount of outstanding financing liability (for advisor up-front commissions)? How does the State intend to handle outstanding liabilities?</p> <p>Outstanding liabilities for the C shares are \$405,000. In a conversion, the new program manager would reimburse the current program manager at the time of transition.</p>
26.	<p>What is the number of current active selling agreements with broker/dealers?</p> <p>465.</p>
27.	<p>For the current selling group agreements with the various broker/dealers distributing the Program, would you provide details on amounts of any revenue sharing/marketing payments/compensation agreements? (Basis point or dollar range)</p> <p>This information is proprietary to Union Bank.</p>
28.	<p>Would a new Program Manager be expected to continue the Visa Rewards program?</p> <p>It is up to each bidder to determine whether to continue the Visa Rewards program.</p>
29.	<p>Would a new Program Manager be expected to continue the GiftED program?</p> <p>It is up to each bidder to determine whether to continue GiftED.</p>

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30.	<p>What obligations does the current program manager have under its current agreement with respect to transition of the current accounts and assets?</p> <p>Please see Section 13.9 of the Union Bank Agreement (attached)</p>
31.	<p>Where and how can we access the current Bright Directions program management agreement?</p> <p>The Bright Directions College Savings Program Services Agreement between the Treasurer and Union Bank is attached.</p>
32.	<p>Is the Treasurer currently expecting, or is it his preference to seek one program manager in 2017 and merge both Bright Start and Bright Directions?</p> <p>This is currently not part of our consideration. The Treasurer seeks solely to maintain his flexibility for the best management of the Illinois Savings Plans.</p>
33.	<p>If the new Bright Directions manager is selected to manage Bright Start in two years, would a new contract be issued to cover both with a 7 year term starting in 2017?</p> <p>This is currently not part of our consideration. The Treasurer seeks solely to maintain his flexibility for the best management of the Illinois Savings Plans.</p>
34.	<p>Is Wilshire retained by and paid for by Union Bank or the Treasurer?</p> <p>Wilshire is part of the Union Bank team and is neither retained nor paid for by the Treasurer.</p>
35.	<p>Is an outside consultant necessary or would the State accept qualified respondent firm employees to perform such function?</p> <p>It is up to each bidder to assemble the team that is most appropriate to its proposal.</p>
36.	<p>How much weight of the decision to award the contract is to be given to distribution factors outside Illinois?</p> <p>Distribution outside of Illinois is one factor the Treasurer's Office will consider in allocating the 15 points available for Distribution.</p>
37.	<p>How much weight of the Program Administration factor in awarding the contract is to be given to experience with</p>

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	<p>conversion of similar plans?</p> <p>The Treasurer's Office will factor conversion experience in allocating the 15 points for Organization Matters.</p>
38.	<p>Is the Treasurer willing to accept a higher administrative fee?</p> <p>The Treasurer's goal is to maintain or exceed the current Morningstar rating. Each bidder should propose an appropriate fee structure that accomplishes this.</p>
39.	<p>Who (the entity) is considered to be the master aggregator?</p> <p>Union Bank.</p>
40.	<p>What recordkeeping system does the plan reside on at this time?</p> <p>Envision PowerAgent.</p>
41.	<p>What are the average number of phone calls per year to the call center, broken down by month (or the last 2 years' worth of call center info)</p> <p>See Data Questions attached.</p>
42.	<p>Do you currently offer payroll deduction? If so, how many plans and participants currently exist?</p> <p>Yes, 171 companies and 2,989 accounts</p>
43.	<p>Is transaction history available back to the Plan's November 2005 inception? If not, please provide the number of years available.</p> <p>Yes.</p>
44.	<p>Are source documents (account applications, transaction instructions, etc.), customer statements and tax forms all available electronically back to the Plan's November 2005 inception? If not, please provide the number of years available.</p> <p>Yes.</p>
45.	<p>What is the average monthly volume of transactions, excluding those that are automated (i.e., age based migrations, automatic investments, online transactions, etc.)</p>

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	16,010 monthly average for 2014.
46.	<p>How many third parties currently receive transmissions from the Plan? Third parties would be generally defined as Broker/Dealer Firms (Intermediaries) selling the Plan. It could also pertain to other vendors of the Plan in which files need to be sent from the Plan's Transfer Agent.</p> <p>About 500.</p>
47.	<p>How many third parties currently send automated transmissions for trading to the Plan? Third parties would be generally defined as Broker/Dealer Firms (Intermediaries) selling the Plan. It could also pertain to other vendors of the Plan in which files need to be sent from the Plan's Transfer Agent.</p> <p>16</p>
48.	<p>Are there currently any firms trading via omnibus?</p> <p>No.</p>
49.	<p>Who is the current auditing firm for the Plan?</p> <p>Hayes &amp; Associates is the auditor for Bright Directions.</p> <p>McGladrey LLP, as Special Assistant Auditors for the IL Auditor General, audits the College Savings Pool.</p>
50.	<p>Does the Program Manager prepare the annual financial statements for the Plan and coordinate the annual audit?</p> <p>The Program Manager is contractually committed to provide the annual audit for Bright Directions.</p> <p>The Program Manager cooperates with and provides financial information to the Treasurer's Office, who prepares the financial statements for the state audit.</p>
51.	<p>Does the Program Manager have the discretion to select the Plan's auditing firm, perhaps with the approval of the State Treasurer?</p> <p>The Program Manager selects the firm that prepares the audit for Bright Directions. It does not have discretion to select the firm that audits the Pool overall. This firm is selected by the Auditor General's Office through an RFP process.</p>

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52.	<p>How much in marketing dollars were spent in 2014 by the Program Manager for broker/dealer meetings, trainings and similar type of events?</p> <p><b>This information is proprietary to Union Bank.</b></p>
53.	<p>On the Mandatory Bidder's call held on February 26, 2015, the State has indicated that the following language was subject to change and invited potential RFP respondents to propose alternative language:</p> <p><i>"11. Other Section 529 Plans During the Term of this Agreement, the Contractor and its affiliates will not provide, or offer to provide, services of any nature to any other Section 529 college savings plan other than Bright Directions except for such services provided as of the effective date of the Agreement and disclosed in writing to the Treasurer."</i></p> <p>Can the State advise potential RFP respondents on the most appropriate forum to propose such alternative language? Will the cover letter to the a bidder's RFP response be incorporated into and be considered a part of the bidder's RFP response or should the proposed alternative language be included in the bidder's RFP response itself?</p> <p><b>Proposed alternative language should be included in the respondent's proposal and not in an attachment to the cover letter. The cover letter is incorporated into the bidder's response but should not include proposed contract language.</b></p>
54.	<p>For each portfolio investment option, please provide the number of accounts and total assets invested in the option.</p> <p><b>See Data Questions attached.</b></p>
55.	<p>Would the Treasurer consider a proposal to reduce the number of available investment options to minimize overlap between options? (For example, the current lineup has two large cap value funds)</p> <p><b>It is up to each bidder to suggest the line-up of funds it deems to be most appropriate.</b></p>
56.	<p>Does the Treasurer have any preferences for using actively managed mutual funds in the lineup? Would the Treasurer consider the inclusion of low cost, passive index funds and or ETFs as a substantial portion of the lineup if a broad range of assets classes and risk tolerances were maintained while providing an improved cost structure?</p>

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	It is up to each bidder to suggest the lineup of funds it deems to be most appropriate.
57.	Will the new program manager have access to all forms, program documents and program disclosure documents in Microsoft Word?  Electronic versions will be provided.
58.	Is the incoming program manager expected to pay any outgoing program manager costs such as conversion costs?  Yes.
59.	Does the plan utilize a Lockbox? If so, please provide monthly volumes by transaction type for 2014.  The plan does not use a lockbox.
60.	For the plan, please provide the monthly breakdown of transaction volumes (i.e. contributions, EFT, AIP, Payroll, rollovers-in, withdrawals) broken out by qualified and nonqualified for 2013, 2014 and YTD 2015  See Data Questions attached.
61.	Which telephone vendor supplies the toll free number?  Windstream is the current telephone vendor.
62.	Please provide the average talk time for phone calls received for the Bright Direction plan for each month in 2013 and 2014.  See Data Questions attached.
63.	What is the monthly call volume for Spanish language calls?  Approximately 10 calls request a Spanish language interpreter each month.
64.	Please identify which documents would be required to be maintained in both English and Spanish.  None.
65.	Please provide the percentages of accounts that use electronic delivery for statements, confirms, and tax reports.

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	57% of statements. Confirms and tax reports n/a.
66.	Please provide incoming mail volumes for each plan for regular and overnight deliveries and by type of mail.  See Data Questions attached.
67.	Which party owns the URL and toll number?  The Treasurer.
68.	Which party is the master aggregator, with regard to aggregation of account contributions, withdrawals, and maximums?  Union Bank.
69.	Who owns the intellectual property rights to the code for <a href="http://www.brightdirections.com">www.brightdirections.com</a> ?  Please see Section 15 of the Union Bank Agreement (attached).
70.	In which coding language is the code for <a href="http://www.brightdirections.com">www.brightdirections.com</a> written?  This is not available information.
71.	Who owns the intellectual property rights, to Bright Directions: <ul style="list-style-type: none"><li>• Forms</li><li>• Brochures</li><li>• Web copy</li></ul> The Treasurer; please refer to sections 15.1 and 15.2 of the Union Bank Agreement.
72.	In addition to the State Treasurer's current Administrative Fee, does the State currently receive compensation from the current program manager to support any state functions, including but not limited to scholarships and marketing campaigns? If so, how much?  No.
73.	Please provide the annual marketing budget for 2015 and the last 3 years. (National Marketing vs. State of Illinois by percentage, if allocated as such.)

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74.	What is the current number of active selling agreements? (Preferably sorted by national, regional, and wire-house.)  465.
75.	Please provide the number of active advisors that created new accounts last year.  3,697.
76.	Please provide the number of active advisors with contributions annually.  7,508.
77.	How many events were held nationally and in Illinois for 2014?  This information is proprietary to Union Bank.
78.	<p>The RFP states in Section VIII that the Contractor must specifically agree to each contractual provision set forth below and also contemplates that there will be negotiations of the Program Management Agreement following the awarding of the contract. Are any of the provisions listed in this section subject to negotiation as part of this process? Is your expectation that a respondent will need to provide comments to these provisions to reserve negotiating rights?</p> <p>Other than Section VIII.O.11 regarding Other Section 529 plans there are no contractual provisions for which we are soliciting alternative language. If a Respondent is unable to agree to language included in the RFP they may propose edits or alternative language; however, those changes will be considered as part of the Evaluation process. If a Respondent does not comment on a contractual provision in its Response it will not be able to revise the language as part of the negotiation of the Program Management Agreement.</p>
79.	<p>The RFP states that any respondent and any subcontractor(s) must each submit a fully executed Appendix A containing certain state certifications. Are these certifications applicable to a non-Illinois respondent? Additionally, if the respondent wishes to reserve its right to negotiate these terms as they appear in the Program Management Agreement, how should they respond to this section in the RFP?</p> <p>Certifications and disclosures must be completed by all respondents and subcontractors regardless of their state of domicile. If a respondent wishes to proposed edits or alternative language to the certifications and/or disclosures</p>

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	they should do so as part of their Response. Any edits will be considered during the Evaluation process.
80.	How many internal and external wholesalers are currently responsible for Bright Directions?  This information is proprietary to Union Bank.
81.	Please provide a list of the firms selling Bright Directions, and total sales by each individual firm in 2014. Please provide the total assets of the plan held by each of these firms.  This information is proprietary to Union Bank.
82.	Please provide the call volume for each of the last three years. Of the total number of calls, how many were from advisors and how many were from plan participants?  See Data Questions Q6. Approximately 70% of the total calls were from advisors  What was the average call volume by month for each of the last two years?  See Data Questions attached for Q41.
83.	Of the \$1.756 billion of plan assets, how much is held in Illinois? In what other states are plan assets held, and what are the total plan assets held in each of these individual states?  See Data Questions attached.
84.	Please provide the plan asset breakdown by share class.  See Data Questions attached.
85.	What is the average number of investment options per unique beneficiary account?  1.8
86.	What are the historical contributions to and redemptions from the plan for each of the last 3 years?  See Data Questions attached.
87.	What is the number of gross new accounts and net new accounts for the plan in each of the last 3 years?  See Data Questions attached.

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88.	<p>Can you provide a copy of the Bright Directions quarterly report prepared by Union Bank for Q4 2014 (or the most recently available quarterly report)?</p> <p>See Q88 Document attached.</p>
89.	<p>Can you provide the most recent marketing plan for Bright Directions?</p> <p>This information is proprietary to Union Bank.</p>
90.	<p>When were the individual fund ETF portfolios introduced and what was the context for inclusion of these portfolios in the plan?</p> <p>The ETF Portfolios were added 11/30/2012.</p>
91.	<p>Is the inclusion of passively managed investment portfolios a requirement?</p> <p>Each bidder should decide what investment portfolios it thinks most appropriate.</p>
92.	<p>Is the plan held in omnibus at any intermediaries? Are there any plans to move the plan to omnibus at any intermediary?</p> <p>There are no omnibus intermediaries. Each bidder should determine individually whether to offer omnibus accounting.</p>
93.	<p>Will the State provide (or require the current distributor to provide) the contact information of the financial advisors who currently sell plan shares, or have sold plan shares in the past, in the event of a plan transition?</p> <p>This information is proprietary to Union Bank.</p>
94.	<p>The share classes of Bright Start and Bright Directions have similar structures. These seem to contrast to with the industry standard (up to 5.75%, declining with AUM, vs. 3.50% for the Illinois plans). Is the Treasurer's Office open to alternative share class structures and commissions?</p> <p>Each bidder should propose the share class structures and commissions it believes to be most appropriate.</p>