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STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM

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ADDENDUM NO. 1
To
Request for Expression of Interest
Banking Services - 2024

The Employees' Retirement System of the State of Hawaii (ERS) is providing the following responses to questions re: Expression of Interest to Provide Banking Services:

1. Question: Submission of Proposal (Page 2) describes the requirements of the submission. Would an alternative option for the electronic copy be acceptable such as secure email or an alternate web based secure delivery option be acceptable in lieu of the USB drive?

Response: No.

2. Question: Insurance Requirements (Page 4) Paragraph 2, Line 3 Indicates ERS may request copies of insurance Policy documents. Such documents are considered confidential, can this requirement be removed as a condition?

Response: It cannot be removed but please find alternative language.

"In lieu of obtaining copies of the required insurance policies, Contractor will allow said policies to be inspected at the request of the State of Hawaii."



Employees' Retirement System
of the State of Hawaii

3. Question: Insurance Requirements Item 1 (Page 5) in relation to the Commercial General Liability and Automobile Liability insurance policies Item 1 proposes the “insurance shall not be cancelled, limited in scope of coverage or non-renewed until after 30 days written notice has been delivered to the Employees’ Retirement System of the State of Hawaii ..” however current insurance certificates have altered the phrasing to include “cancellation notice will be given according to policy provisions’. Can this section be modified in accordance with current standards?

Response: *The CONTRACTOR shall notify the State of insurance cancellation, limited scope or non-renewal.: It cannot be removed but please find alternative language for Insurance Requirements Item 1 (Page 5).*

“The Contractor shall notify the State in writing within 30 days before it’s insurance is cancelled, limited in scope or non-renewed. The written notice shall be delivered to the ERS of the State of Hawaii,”

4. Question: Format of Response – Financial Strength and Capitalization (Page 7) and FDIC Charges and Floats (Page 8) request details since January 1, 2013, please confirm the time period through which the requests are made.

Response: *Date is updated to January 1, 2019.*

5. Question: Section 2. Cash Management – f. Custody Services (Page 10) requests description of Custody Services offered to address the State’s Treasury collateral requirements for securities invested, however, no definitions or policies related to the State’s Treasury collateral requirements were found. Please confirm sections f. Custody Services and e. Investment Services are in scope of the Request for Expression of Interest – Banking Services – 2024 and provide documentation of the State’s Treasury collateral requirements applicable to Custody Services.

Response: *Yes section f. Custody Services relates to (a) State Treasury collateral requirements that are included in section g. Deposits and Insurance Coverage and (b) investments of Sweep Accounts that are included in section e. Investment Services..*

All State funds deposited with State-appointed depositories (financial institutions) are deemed, under State law, to be deposited in the State Treasury. To protect the deposits, the funds must be fully collateralized by the depository with securities deposited with the Director of Finance as provided in Chapter 38, including but not limited to Sections 38-2 and 38-3, Hawai`i Revised Statutes (HRS).

ERS funds deposited in Hawaii bank(s) are included/combined with other State funds that are monitored for the Director of Finance by Budget & Finance, Financial Administration Division (B&F-FAD), through B&F-FAD’s policies and procedures for collateral requirements in accordance with Chapter 38, HRS.

6. Question: Exhibits to be Included – Exhibit VIII – Closing Agreement (Page 14)
Requests a process and timeline for a transition period upon termination of the contract using the date of **June 30, 2023**. Please confirm the date as it is earlier than the contract start date.

Response: Date is updated to March 31, 2024.

7. Questions: Insurance Requirements

- A. For the Insurance Requirements, numbered 1 – 3 with language in quotes at the top of page 5, is language that is reasonably equivalent to the required language acceptable in the case our insurance broker and/or insurance company is unwilling to provide the exact language specified?

Response: See Question 3 response above for Insurance Requirements Item 1 (Page 5).

For Insurance Requirements Page 5, Alternative language can be used as long as the intent and purpose of the clauses #2 and #3 are met, which provides additional insured status for the State of Hawaii and its policies are not primary nor will be looked upon to contribute to any loss.

- B. Do you have a standard for the “limited in scope” portion of requirement #1? We may, from time to time, make changes to our policies that are irrelevant to the services we are providing under the contract.

Response: “Less coverage relative to terms and conditions of the policy coverage and/or less policy limits as stated in the solicitation.”

1. Preferably – would you be open to removing the “limited in scope” notice requirement as long as we can have our insurance company provide 30 days advance notice of cancellation and non-renewal?

Response: No. See previous responses.

C. Subcontractor(s).

The bank utilizes various subcontractors to perform some of the services requested in the RFI such as online banking. Most, if not all the subcontractors utilized are not physically located in the State of Hawaii and provide their services electronically. Can you please clarify if all subcontractors are required to comply with paragraph 2 on page 4, "The Contractor agrees to deposit with ERS certificate(s) of insurance that the ERS has deemed necessary to demonstrate the Contractor has: (i) complied with all the insurance provisions listed in the request ..., including those of its subcontractor(s), where appropriate?

Response: The Contractor shall require a subcontractor to abide by the same insurance requirements as the contractor. Please see Insurance Requirements pages 4-5 that are amended with an alternative for such insurance.

D. Can you please clarify if all subcontractors will be required to meet the Commercial General Liability and Automotive Liability insurance policy requirements as specified in the table of Insurance coverages appearing at the top of page 5 and have their insurance policies contain the clauses numbered 1-3 in quotes at the top of page 5?

Response: See response for 7C. above.

8. Questions: Disbursement Services.

A. Tax Payment Service, (Page 8, paragraph b):

1. Do you submit your Federal Tax Payments via the EFTPS website?

Response: No. ERS uses our existing bank's online tax payment processing service (that participates in the EFTPS).

2. Are there any other Tax Payment services utilized to remit taxes?

Response: No.

3. Electronic Payment/Direct Deposit (Page 8, paragraph c):

a. Do you send your ACH files via SFTP to your current bank?

Response: Yes.

4. Other Services (Page 9, paragraph e):
 - a. Can you please provide us with more clarity regarding death benefit restitution payments?

Response: This is for reclamation of overpayment(s) to ERS' pensioners/beneficiaries accounts for amounts they were not entitled to receive (such as payments issued after month of death).

9. Questions: Cash Management

- A. Overnight Sweep Account Facility (Page 9, paragraph d):
 1. Assuming you decide to utilize the overnight sweep, can you please provide the estimated average amount which would be kept in the overnight investment account?

Response: No. If used, it will depend on the terms and conditions of the overnight investment account.

10. Questions: Reporting and Other Section

- A. Account Reconciliation (Page 10, paragraph a):
 1. Can you please provide clarity regarding your question on check truncation services?

Response: Check truncation services refers to the process of clearing a check by eliminating the original physical check and turning it into a digital check, this is also known as a substitute check. The electronic version of the check has the same legal rights as the original check, as long as it meets pre-determined conditions established by law.

- B. Pricing Schedule (Page 11, paragraph g):
 - a. What kind of monthly average checking account balances are you expecting to keep with your local bank?

Response: Refer to Attachment, 1 ERS Consolidated Banking Fees Pro forma for the Average Daily amounts. The amounts listed in the Annual Volume column Annual Ledger Balance, Less: Average Uncollected Balances and Average Collected Volume listed are all Average Daily amounts for the month and year.

- C. How are funds swept from your local bank to Bank of New York Mellon?

Response: *ERS staff processes/approves a wire transfer for excess cash via the bank's on-line wire transfer system, using semi-repetitive templates.*

11. Questions: Attachment 1 (Page 17).

- A. Can you please confirm what your average monthly ledger balance is?

Response: *The Annual Volume amounts listed for Annual Ledger Balance, Average Uncollected Balances and Average Collected Volume are all Average Daily amounts for the month and year.*

- B. Do we take your Annual Volume of \$22,000,000 and divide by 12?

Response: *See Question 11.A. above.*

- C. Does the same logic apply to your Average Uncollected Balances?

Response: *See Question 11.A. above.*

- D. Can you please confirm the annual volumes for Checks Deposited on ERS Bank, Local Banks and Other Banks?

Response: *The monthly and annual volumes are updated on Attachment 1: ERS Consolidated Banking Fees Pro forma. The annual volumes are updated to:*

*Checks Deposited on ERS Bank is 60 **

*Checks Deposited - Local Banks is 720 **

*Checks Deposited - Other Banks is 60 **

* Check volumes are based on past ERS's accounts activity, and future check volumes by type are subject to change.

12. Questions: Disbursement Services (Page 8).

A. Disbursement Processing:

1. What type of data will be sent?
2. What type of programming will be required?
3. What type of printing (black, color, MICR) is required?
4. What type of paper & envelopes are needed?
5. Will paper & envelopes be provided, or do they need to be supplied?
6. How frequent are the check runs?
7. What time of day will data be sent & how soon after do checks need to be mailed or post marked?
8. Is it one check per envelope?
9. Is anything besides the check inserted into the envelopes?

Response: *Item 1.a. Disbursement Processing Services in the EOI is requesting a description of how your bank processes checks that are (a) issued, printed and mailed by ERS are then presented for payment at ERS's bank and (b) services your bank provides if ERS submits a file to the bank for the bank to print, issue and mail checks.*

For (a) ERS's current process, checks are printed 4-5 times per month from two (2) bank accounts for approximately 10 batches per month. Check information is available at least two (2) days prior to payment date; and postmarked and mailed at least one (1) day prior to payment date. ERS uses MICR ink to print checks using a self-sealing mailer statement stock with check security features. Each self-mailer paper stock includes a statement area (with space for gross amount to net amount, including 10 deductions) and check with security features .

Please describe (b) the bank's process and requirements if the ERS submits a file to the bank (for question items 1-7 above) to print and mail checks that is similar to ERS's process. Each check will be mailed separately by itself (no insert).

13. Questions: Reporting and Other (Page 10 & 11).

A. Balance and Transaction Reporting & Online Services and Electronic Banking.

1. Total number of online portal users.

Response: *There are up to 20 users depending on the set-up of banks services and on-line systems.*

2. Does the ERS require self-administration or bank administration (unlock, delete and add user profiles)?

Response: *Both, ERS will be primary to self-administrate user profiles; while the bank will assist as needed.*

14. Questions: Pricing Schedule (Page 11).
A. Do you require international wires to be sent in USD or Foreign Currency?

Response: *International wires are currently sent in USD.*

15. Questions: Tax Payment Service (Page 18).
A. ERS Consolidated Banking Fees Pro Forma.
1. Does the ERS utilize bank provided Tax Payment or State and Federal portal systems?

Response: *See response to Question 8A above.*

16. Questions: Please define what the “correlated sectional dividers” are for the proposal formatting?
A. Is it by sections?
1. 1. Disbursement Services.
2. 2. Cash Management.
3. 3. Reporting and Other.
4. Exhibits 1 – XIII (as a group or individually by each exhibit.).
5. Attachment 1 – ERS Consolidated Banking Fees Pro Forma.
6. Attachment 2 – Mandatory Requirements Certification.
7. Attachment 3 – Contract Form.
a. Is this the Contract For Goods and Services, Contractors Acknowledgement, Contractor’s Standards of Conduct Declaration, etc.
b. Are these forms to be completed, executed by signature, notarized, corporate seal?

Response: *At a minimum the proposal should have No. The proposal submitted should have tabs with labels that clearly identify separation of the following, at a minimum.*

Proposal letter (if any)

Discussion on Corporate Overview to Relation Management

1. Disbursement Services.

2. Cash Management.

3. Reporting and Other

Exhibits – as a minimum should have a page separator that includes the Exhibit number and name (to identify start and ending of section)

Per Award of Contract (Page 5 of EOI), ATTACHMENT 3, CONTRACT FORM and GENERAL CONDITIONS is a blank sample contract (that the awardee will be required to execute with the ERS). The forms are not to be completed as part of the bank’s proposal. ERS will send a completed contract to the Awardee for execution.

17. Question: Insurance Requirements (Page 4), second paragraph, “Upon request by the ERS, the Contractor shall be responsible for furnishing a copy of the policy or policies.”

A. Outside the Contractor’s Certificate of Insurance, could you help us understand when and/or in which situations ERS would require the Contractor to provide insurance policy or policies copies?

Response: Insurance policies are required to be provided for the State to confirm coverages. Please also see other responses.

B. Is the requirement that the Contractor provide insurance policies and/or coverage that is outside the scope of its work with ERS?

Response: No.

18. Question: Scope of Work (Page 6), first section, “Monthly expenditures are currently in excess of \$150 million and made to over 55,000 retirees and beneficiaries.”, and “...the number of retirees and beneficiaries is expected to increase 1,000 to 2,000 per year.”

A. Regarding new beneficiaries (1,000 to 2,000 per year), what do you anticipate the volume of checks issued, ACH Transactions, and/or Wire Transfers to be annually?

Response: The monthly and annual transaction volumes for purposes of pricing, and responding to this EOI, are estimated on Attachment 1, ERS Consolidated Banking Fees Pro forma.

(Note: ERS does not expect the volume to change for Outgoing Wires and Checks Paid. The monthly volume of ACH Transactions is expected to increase as the number of retirees and beneficiaries increase.)

19. Question: Disbursement Services (Page 8), Electronic Payment/Direct Deposit, “Direct deposit and international wire payment services are utilized for the ERS’ semimonthly and monthly pension payrolls, and payment of administrative expenses.”

A. Currently, does ERS submit ACH files with the standard 2-day settlements? Or does ERS require same-day ACH?

Response: Yes, ERS submits ACH payment files with the standard 2-day settlements.

20. Question: Exhibit VIII - Closing Agreement (Page 14), "Detail the process and timeline for the transition period upon termination of the contract. For illustration purposes, please use a transition date of June 30, 2023"

A. Is Exhibit VIII required of all proposals? Or is it only applicable to the incumbent Contractor?

Response: All proposals. Also see Question 6.

21. Question: Attachment 1 ERS Consolidated Banking Fees Pro forma (Page 17), the "Average Ledger Balance - Average Daily" is \$22,000,000, however it falls in the "Annual Volume" column.

A. Please confirm the Average Ledger Balance \$22,000,000 annually AND monthly. If not, what is the monthly Average Ledger Balance?

Response: See Question 11.