

Request for Proposal
**The West Virginia Consolidated
Public Retirement Board**
RFP # CPR10032
Cost Proposal
September 15, 2010

Timothy Rouse
Vice President
Governmental Markets



Your future. Made easier.SM



ING Institutional Plan Services
One Heritage Drive
Quincy, MA 02171

Name: Tim Rouse
Title: Vice President
Tel: 617-376-8607
Fax: 617-376-2732
E-mail: Timothy.Rouse@us.ing.com

September 9, 2010

Krista Ferrell
Buyer Supervisor
State of West Virginia
Department of Administration Purchasing Division
2019 Washington Street East
Charleston, West Virginia 25305-0130

RE: CPR10032

Dear Ms. Ferrell:

On behalf of ING Institutional Plan Services, I am pleased to submit our response to the Request for Qualifications Number CPR10032 for the third party administration of the West Virginia Teacher's Defined Contribution Plan.

ING Institutional Plan Service satisfies all of your minimum criteria and is well qualified to provide the services described in your RFQ. We offer exceptional flexibility and customization – here are just a few points to consider about our organization that set us apart from our competitors:

Government and K-12 Retirement System Specialist

ING occupies a unique niche in the defined contribution retirement plan market. With a highly disciplined focus on retirement administration services in the markets we serve, we have the depth of expertise and the breadth of services—supported by our consistent, state-of-the-art technology platform and our operational excellence—to sustain and improve your program.

Today ING serves 23 state defined contribution plans, including the State of West Virginia's 457 plan. This experience has taught us that state-retirement systems require tailored administrative applications that support their mission of protecting and serving their members. ING's niche is designing custom administration for complex retirement and savings plans. Our work with many large public retirement systems and corporations means that we are accustomed to adapting our systems to our clients' needs. As a result many of your retirement system colleagues have partnered with ING to support their mission.

Additionally, according to industry reports ING is the third largest administrator of K-12 defined contribution retirement plan assets with more than 16% market share. When you consider this fact along with our large public retirement plan administration you combine the proven experience of partnering with sophisticated statewide systems and the understanding of the retirement needs of public school employees. This combination provides us synergies that allow us to give West Virginia the same state of the art recordkeeping with the extra level of high touch on site coverage.

Full Fee Disclosure

In today's challenging investment market and these litigious times, plan sponsors like you must be able to clearly and convincingly demonstrate that they have satisfied their fiduciary obligations and made decisions in the best interest of plan participants. Our philosophy in support of that goal is with information. **ING Institutional Plan Services is proud of the fact that it is one of the few companies in the government DC plan market that fully discloses its fees and reports all revenue received. We also have no proprietary fund requirements.**

Our completely open investment architecture means that we can offer any fund. In today's retirement market a plan sponsor needs the ability to select from the widest possible menu of funds and investments. We know the best way to do that is with the flexibility to make the best investment decisions unhampered by proprietary fund requirements. It is virtually impossible to be able to be the best fund manager in every single asset class and for that reason ING will give the State complete access to any investment fund that can operate in a daily, defined contribution plan environment.

To demonstrate our flexibility the fee we have proposed closely duplicates your current fund lineup. Ultimately you may not be interested in keeping all of your existing funds, but we thought you would be interested to know that our proposed pricing is so competitive that we expect to be able to duplicate your fund lineup and at the same time lower fees for your participants and offer them more services. The revenue sharing amounts received from your fund lineups we proposed cover complete plan administration, communication and investment services. Our proposed lineup also generates excess revenue that the state can use to offset its costs of administering and overseeing the plan. Alternatively we can work with you to create a fund lineup that is as close as possible to our cost or refund excess revenue sharing to participants.

Comprehensive, Results-Oriented Communication, Education and Service Strategy

At ING, we understand the importance of establishing an effective balance between "high touch and high tech" in support of participant needs. Through the efficient coordination of services utilizing our local plan representatives and multi-media technology, we will deliver clear consistent education and communication to West Virginia's teachers. Since your plan is no longer open to new enrollments we will customize our communications with a higher emphasis on proper on-going investment allocation and pre-retirement planning. This communications plan is intended to provide:

- More individualized retirement counseling at locations and times most convenient to your teachers than you receive today
- Retirement seminars on topics important your participants
- Award winning communication materials including custom plan branding services, helping to create a unique and valuable identity for your plan.

In conclusion

We recognize that changing administrators is often perceived as disruptive. However, we can assure you that our experience in transitioning plans has been positive for our clients and through the use of a detailed communication strategy has been well received by our participants. We are also confident that the benefits and savings you and your participants will receive will make the change worth the effort.

ING thanks you for this opportunity to submit a proposal. Our investment, fee, and service approach is negotiable. We have made every effort to respond in a manner consistent with the State's request and in accordance with your stated criteria. If there is anything to which we have not responded to your satisfaction or if additional information is needed, we look forward to the opportunity to clarify, correct, expand, modify, or explain.



Sincerely,

A handwritten signature in cursive script that reads "Timothy Rouse". The signature is fluid and elegant, with the first name and last name clearly distinguishable.

Timothy Rouse
Vice President, Business Development



COST PROPOSAL FORM

Vendor Name: ING Institutional Plan Services, LLC

Vendors must complete this Cost Proposal Form and submit it in a separate, sealed envelope, marked "Cost Proposal" with its Proposal. State all fees, charges and costs to provide the TPA Services.

1. By Contract Year, complete the following:

| Contract Year | Per-Participant Price Schedule with TDC Plan receiving all Commission, 12(b)1 fees and Shareholder Service Fees | Yearly Estimated Costs (assuming a five year contract period based upon the assumptions given below) |
|---|---|--|
| Contract Year 1 | \$70/ppt | \$406,000 |
| Contract Year 2 | \$70/ppt | \$406,000 |
| Contract Year 3 | \$70/ppt | \$406,000 |
| Contract Year 4 | \$70/ppt | \$406,000 |
| Contract Year 5 | \$70/ppt | \$406,000 |
| Total Five Year Costs | | \$2,030,000 |
| *Participants should include both active and inactive participants, as well as participants on a periodic payment schedule but not participants who have annuitized. | | |

Bidders are required to submit Costs under a per-participant fee schedule with two options for the allocation of commissions, 12(b)1 fees and shareholder service fees. The first (above) assumes that the TDC Plan will receive all commissions, 12(b)1 fees and shareholder service fees. The second "Alternative Price Schedule" (below) assumes that the TDC Plan will receive 75% of the commissions, 12(b)1 fees and shareholder service fees and the vendor will receive 25% of the commissions, 12(b)1 fees and shareholder service fees.

| Contract Year | Per-Participant Price Schedule with TDC Plan receiving 75% of the commissions, 12(b)1 fees and shareholder service fees and the vendor receiving 25% of the commissions, 12(b)1 fees and shareholder service fees | Yearly Estimated Costs including the 25% of the commissions, 12(b)1 fees and shareholder service fees received by the vendor (assuming a five year contract period based upon the assumptions given below) |
|---|---|--|
| Contract Year 1 | \$34/ppt | \$406,000 |
| Contract Year 2 | \$34/ppt | \$406,000 |
| Contract Year 3 | \$34/ppt | \$406,000 |
| Contract Year 4 | \$34/ppt | \$406,000 |
| Contract Year 5 | \$34/ppt | \$406,000 |
| Total Five Year Costs | | |
| *Participants should include both active and inactive participants, as well as participants on a periodic payment schedule but not participants who have annuitized. | | |





The total five year costs listed in the two (2) tables above plus the amount remaining at the end of contract year 5 from the start up cost table below, will be used in evaluating the cost bids for this proposal. Each of the two (2) costs scenarios in the above tables will be evaluated separately but the amount remaining at the end of contract year 5 will be used in both evaluations. CPRB reserves the right to choose the costing scenario best suited to their needs.

Start Up Costs

Identify extraordinary one-time start-up Costs expected to be incurred. Please detail these expenses and describe how you propose to amortize and be reimbursed for these costs under the fee proposal you have outlined. If the contract is terminated for a reason other than cause, prior to the end of initial five-year period, indicate any amounts, at the end of each year, that will remain unreimbursed and the contract termination terms you would require. The amount of these start-up costs may be expressed in a flat dollar amount.

| Item | Amount of One-Time Start Up Costs and Contract Terms |
|--|--|
| Total Amount of One-Time Start Up Costs | |
| Amount Remaining At End of Contract Year 1 | 189,450 |
| Amount Remaining At End of Contract Year 2 | 142,087 |
| Amount Remaining At End of Contract Year 3 | 94,725 |
| Amount Remaining At End of Contract Year 4 | 47,362 |
| Amount Remaining At End of Contract Year 5 | 0 |

Additional Fund Performance Review

The Agency may request additional Fund Performance Reviews in excess of the reports required in the RFP. Vendor will provide the additional reviews for the following additional fees:

| Description | Cost Per Review |
|----------------------------------|------------------|
| Basic Fund Performance | Please see below |
| Expanded Fund Performance Report | Please see below |

Yes, we will provide the State additional investment reviews. We will work with the State on an agreeable price depending on the complexity of the assignment. However, beyond the normal investment reviews the minimum cost of these additional reviews would be \$2,000 per assignment

Additional Services

List any other fees or costs you would charge to provide the TPA Services.

Lead Pricing for IAS - Passive Advice Enrollment (Opt-out Scenario)

A majority of the participant population is offered the Professional Account Manger as a default option. Participants, who decide to OPT OUT of the managed account program, can continue to use the Personal Online Advisor to receive recommendations online at no additional cost.





Opt-out Platform Fee

\$0.00 will be billed per participant in the plan on a monthly basis, (\$0.00 annualized).

Opt-out Professional Account Manager Fee

4.17 basis points per month (50 basis points annualized) charged to those participants who enroll in the Professional Account Manger program.

| Professional Account Manager Opt-out Tiered Fee Schedule | | | |
|---|-----------|-------------------------------|------------------------------|
| Tier | Balance | Monthly Fee (basis points) | Annualized (basis points) |
| First | \$50,000 | 4.17 | 50 |
| Next | \$50,000 | 3.33 | 40 |
| Next | \$50,000 | 2.50 | 30 |
| Over | \$150,000 | 2.08 | 25 |

Secondary Pricing for IAS - Active Advice Enrollment (Opt-in Scenario)

Participants can opt-in to either Personal Online Advisor service at no additional cost or the Professional Account Manager program.

Opt-in Platform Fee

\$0.00 will be billed per participant in the plan on a monthly basis, (\$0.00 annualized).

Opt-in Professional Account Manager Program Fee

6.25 basis points per month (75 basis points annualized) charged to those participants who enroll in the Professional Account Manger program.

| Professional Account Manager Opt-in Tiered Fee Schedule | | | |
|--|-----------|-------------------------------|------------------------------|
| Tier | Balance | Monthly Fee (basis points) | Annualized (basis points) |
| First | \$50,000 | 6.25 | 75 |
| Next | \$50,000 | 5.42 | 65 |
| Next | \$50,000 | 4.58 | 55 |
| Over | \$150,000 | 4.17 | 50 |

Pricing Assumptions

No representations or warranties of any type or kind are made as part of this RFP as to the specific type or kind of investments options which may in the future be approved by the Agency nor are any representations or warranties made as to the number of members in the TDC Plan or the amount of assets that will constitute the Plan.

You must use the following assumptions for the calculation of your firms estimated pricing above. *Please note that the assumptions are estimated which are intended to be used in order to ensure comparability of pricing in the evaluation process. The State does not guarantee these participant, activity, or asset levels will occur.*

| | | | | |
|-------------|-----------|-----------|-----------|-----------|
| At Contract | Estimated | Estimated | Estimated | Estimated |
|-------------|-----------|-----------|-----------|-----------|





Cost Proposal Form

| Year Ending | Number of Active Participants | Total Number of Participants* | Number of Payments (Lump Sum and Installments) | Amount of Assets**(millions) |
|--------------------|--------------------------------------|--------------------------------------|---|-------------------------------------|
| Year 1 | 4,830 | 5,655 | 1,300 | 260 |
| Year 2 | 4,787 | 5,575 | 1,300 | 267 |
| Year 3 | 4,743 | 5,494 | 1,300 | 273 |
| Year 4 | 4,700 | 5,414 | 1,300 | 280 |
| Year 5 | 4,656 | 5,333 | 1,300 | 287 |

