

The Issuer's responses to requests for clarification in connection with its request for proposals for NEST 529 program manager services are organized into the following topics:

- Marketing
- Fees
- Investments
- State Farm & TDA Plans
- Plan Statistics
- Other

MARKETING

- 1. Is the \$750,000 per year marketing spend minimum for a specific Plan or intended to be applied across all four Plans? What is the current year's marketing budget (broken down by in-state and out-of-state) for the NEST Direct Plan? What is the current year's marketing budget (broken down by in-state and out-of-state) for the NEST Advisor Plan? What are the current marketing budgets for the State Farm and TDA Plans?**

The \$750,000 minimum marketing commitment would be allocated between the NEST Direct and NEST Advisor Plans. The current program manager considers its marketing budget confidential and proprietary information. State Farm and TD Ameritrade determine the marketing budgets for their respective Plans.

- 2. Is marketing the Plans nationally a firm requirement? Would a robust in-state marketing plan, coupled with a Program Manager's strong national branding satisfy the marketing requirement?**

The Issuer encourages all qualified financial service companies to submit a proposal, even if the proposal identifies exceptions to the Scope of Services in its executive summary. The Issuer will review proposals holistically and no one factor or response will control.

- 3. Could you elaborate on what involvement would be expected of the Program Manager in regard to the launch and expansion of the three new programs (Meadowlark Program, Employer Matching Contribution Incentive Program and the College Savings Plan Low-Income Matching Scholarship Program)?**

The Treasurer is seeking assistance and support from the Program Manager to ensure that the launch and expansion of the three programs are successful initiatives. The Program Manager should be prepared to support these programs through operational and recordkeeping requirements, as well as marketing efforts.

- 4. Who owns the URLs and intellectual rights to the design and content of the Plans' current websites?**

NEST owns the URL and all intellectual rights to the design and content of the NEST Direct and NEST Advisor Plans. TD Ameritrade and State Farm own their own URLs.

FEES

- 5. Other than the State Administrative Fee, does the State of Nebraska receive compensation from the current program manager to support any state functions, such as scholarships or marketing campaigns?**

No, the only compensation the State receives is the State Administrative Fee.

- 6. Section 6(g) of the Program Management Agreement states that the “Contractor represents that the Management Fee is the lowest offered by the Contractor to any state with a comparable Qualified Tuition Program.” Does this provision require the Contractor to offer program management services for the Plans at a lower price than any other qualified tuition programs the Contractor may offer, or is fee parity acceptable? Does this requirement apply to all four Plans?**

This provision ensures that the fees the State pays to the Contractor for program management services is no greater than what the Contractor charges other states/entities for managing comparable college savings programs. This requirement applies to all four Plans.

- 7. Who retains the \$25 annual account fee on State Farm Plan accounts that have a balance of \$20,000 or less?**

The current program manager retains the fee.

- 8. How many State Farm Plan accounts were subject to the \$25 annual account fee in 2017 and 2018?**

The \$25 account fee was charged to 53,306 accounts in 2018. The Issuer does not know how many accounts were charged this fee in 2017.

INVESTMENTS

- 9. What are the Plans’ current assets by portfolio?**

As of June 30, 2019, the Plans’ assets are:

NEST Direct Plan	
Age-based aggressive	\$558,058,808
Age-based growth	\$470,650,364
Age-based index	\$147,688,150
Static options	\$362,870,438
Individual options	\$669,988,745
	\$2,209,256,507
NEST Advisor Plan	
Age-based aggressive	\$378,156,198
Age-based growth	\$320,743,637
Age-based index	\$63,795,479
Static options	\$248,388,585
Individual options	\$175,166,941

\$1,186,250,842	
State Farm Plan	
Age-based	\$442,387,436
Static options	\$145,616,393
\$588,003,829	
TDA Plan	
Age-based aggressive	\$304,178,806
Age-based growth	\$271,767,519
Age-based conservative	\$107,048,683
Static options	\$137,575,655
Individual options	\$584,513,955
\$1,405,084,621	

10. Can you elaborate on the expectation that proposed investment menus have an option that would be suitable to serve as a default investment?

Please disregard this reference. There is no need for a Provider to propose investment menus that have a suitable option to serve as a default investment.

11. Does the Council have an investment policy statement that only relates to the Plans?

No. The Council maintains an investment policy (see the link in the RFP), but it is not specific to the Plans.

12. Section IV.B states that a Provider must “consistently deliver investment returns that met or exceed their respective indexes.” An index fund that serves as an underlying investment would not meet or exceed its benchmark performance due to expenses layered into the fund and portfolio. If an underlying investment is an index fund, would it need to satisfy the “meet or exceed” requirement?

No.

13. Section IV.B.5 states that a Provider must “comply with any performance related criteria recommended by the Issuer.” Can you please expand on this?

For example, should the Issuer request an investment option that meets or exceeds a particular rate of return over the prior three years, the Issuer would expect the Provider to submit potential investment options that meet that criteria.

14. We understand the Issuer would like an open architecture platform. Would the Issuer consider an investment line up featuring 75% of a single fund family as satisfying this preference?

The Issuer is open to any investment structure that utilizes investment options from more than one fund family. The Issuer is not looking for a particular percentage but rather at whether a provider’s Proposal conveys a favorable investment strategy.

15. Is there flexibility with the State Farm and TDA Plan portfolios in terms of investment lineup and portfolios?

Yes, the Issuer is open to alternative investment structures and individual investment options for each of the Plans, including the State Farm and TDA Plans.

16. Are State Farm and TD Ameritrade solely responsible for managing the investments in their respective Plans? Do they determine the respective Plan’s investment lineup? Do they serve as the investment advisor to the respective Plans?

The Council is responsible for the investment of the money in all four Plans and the selection of all four Plans’ investment options. The Program Manager is expected to recommend investment options to the Council for its review and approval. As part of this process, the Program Manager will work with State Farm and TD Ameritrade to formulate each Plan’s recommended investment lineup.

17. Does the requirement to “ensure availability of funds to meet the higher education needs of beneficiaries, regardless of their age” refer to a requirement to maintain investments that are liquid and easily redeemable by an account owner or is it in reference to inclusion of age-based type options? If neither, please clarify what this requirement entails.

The Issuer would like each Plan to offer investment options that are suitable for saving for college. Suitability will depend on the age of the beneficiary as well as liquidity once a beneficiary reaches college age.

STATE FARM & TDA PLANS

18. What services does the current program manager provide to State Farm? Which party funds the State Farm Plan’s marketing budget? Which party does the marketing planning and execution? Which party makes the investment allocation strategies and decision? Which party completes compliance and regulatory filings?

The current program manager is responsible for all recordkeeping and servicing responsibilities associated with State Farm Plan accounts. State Farm provides the funding for marketing the State Farm Plan. State Farm develops an annual marketing plan and works in partnership with the current program manager and the Treasurer to implement and execute marketing initiatives. The current program manager works in partnership with State Farm and the Treasurer to develop investment options for the State Farm Plan, and then presents the investment options to the Council for its review and approval. The current program manager is responsible for completing compliance and regulatory filings for the State Farm Plan.

19. What services does the current program manager provide to TD Ameritrade? Which party funds the TDA Plan’s marketing budget? Which party does the marketing planning and execution? Which party makes the investment allocation strategies and decision? Which party completes compliance and regulatory filings?

The current program manager is responsible for all recordkeeping and servicing responsibilities associated with TDA Plan accounts. TD Ameritrade provides the funding

for marking the TDA Plan. TD Ameritrade develops an annual marketing plan and works in partnership with the current program manager and the Treasurer to implement and execute marketing initiatives. The current program manager works in partnership with TD Ameritrade and the Treasurer to develop investment options for the TDA Plan, and then presents the investment options to the Council for its review and approval. The current program manager is responsible for completing compliance and regulatory filings for the TDA Plan.

20. If the distribution agreement with TD Ameritrade extends beyond December 17, 2019, what would this mean for a new Program Manager with respect to the TD Ameritrade relationship and the distribution of the TDA Plan?

The new Program Manager would assume all the recordkeeping and administrative services for the TDA Plan.

21. Please provide the existing agreements with State Farm and TD Ameritrade.

Providers should e-mail Rachel Biar at rachel.biar@nebraska.gov if they would like a redacted version of these agreements.

PLAN STATISTICS

22. Which 10 states have the largest number of Plan account owners?

Nebraska, California, Texas, Florida, Minnesota, Pennsylvania, New Jersey, Illinois, Washington and Georgia

23. How many active selling agreements with broker-dealers current exist?

There are 295 active selling agreements with broker-dealers.

24. For each Plan, how many new accounts were opened during 2014-2018 by Nebraska account owners? How many new accounts were opened by account owners outside of Nebraska during that same period?

	NEST Direct Plan		NEST Advisor Plan		State Farm Plan	TDA Plan	
	NE	Out-of-state	NE	Out-of-state	In- and out-of-state	NE	Out-of-state
2014	4,267	1,469	3,453	2,701	7,697	238	5,509
2015	4,372	1,422	3,494	2,715	6,995	312	5,371
2016	4,634	1,419	3,186	2,417	4,707	303	5,864
2017	5,073	1,441	3,430	2,597	1,408	355	7,106
2018	4,990	1,620	3,445	2,739	3,396*	312	8,910

* Between August 3 and December 31, 2018, 2.8% of new accounts were opened by Nebraska account owners.

25. For each Plan, how much money was contributed during 2014-2018 by Nebraska account owners? How much money was contributed by account owners outside of Nebraska during that same period?

The below table shows the amount of contributions each Plan received between 2014 and 2018. All figures are listed without 000s.

	NEST Direct Plan		NEST Advisor Plan		State Farm Plan		TDA Plan	
	NE	Out-of-state	NE	Out-of-state	NE	Out-of-state	NE	Out-of-state
2014	\$64,721	\$68,148	\$37,197	\$62,344	\$58,044		\$3,120	\$113,576
2015	\$69,352	\$67,965	\$57,819	\$39,480	\$60,775		\$3,355	\$114,235
2016	\$70,705	\$64,325	\$38,609	\$54,635	\$57,271		\$4,013	\$128,628
2017	\$82,080	\$63,586	\$44,595	\$63,765	\$49,306		\$4,205	\$162,194
2018	\$87,348	\$67,528	\$45,790	\$62,390	\$1,536	\$66,760	\$4,588	\$179,124

Note that with respect to the State Farm Plan, Oppenheimer did not report in-state versus out of state contributions. For 2014-2017, the total amount of contributions is listed instead.

26. How many incoming calls did the Plans receive each month during 2017 and 2018? What were the average talk times, abandonment rates and speed to answer during the same periods?

2017	# of calls	Annual avg. talk time	Abdnmt. rate	Avg. speed to answer
January	8,255	4 minutes 55 seconds	0.45%	12 seconds
February	5,245		0.32%	12 seconds
March	5,835		0.48%	11 seconds
April	4,816		0.39%	12 seconds
May	5,387		0.48%	11 seconds
June	4,872		0.31%	10 seconds
July	6,757		0.24%	11 seconds
August	9,104		0.36%	15 seconds
September	5,797		0.33%	10 seconds
October	5,495		0.33%	10 seconds
November	5,913		0.24%	10 seconds
December	8,991		0.30%	11 seconds

2018	# of calls	Annual avg. talk time	Abdnmt. rate	Avg. speed to answer
January	10,616	5 minutes 10 seconds	0.22%	10 seconds
February	6,868		0.16%	9 seconds
March	6,025		0.28%	9 seconds
April	6,333		0.41%	11 seconds
May	5,919		0.14%	7 seconds
June	5,638		0.23%	8 seconds
July	8,668		0.52%	11 seconds

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August	18,224		0.96%	28 seconds
September	10,047		0.15%	10 seconds
October	11,174		0.38%	11 seconds
November	10,262		0.50%	11 seconds
December	11,663		0.38%	11 seconds

Note that we do not track which calls are for client services and which are for internal sales and marketing representatives.

Incoming calls are answered by a Plan representative during business hours. After hours calls are handled by an IVR.

27. What percentage of calls did each Plan receive during 2017 and 2018 from account owners? What percentage of calls did each Plan receive from financial advisors during that same period?

	NEST Direct Plan				NEST Advisor Plan			
	Account owners	Financial advisors	Other	Not noted	Account owners	Financial advisors	Other	Not noted
2017	57.4%	2.1%	10.6%	29.9%	28.2%	20.5%	19.9%	31.4%
2018	61.7%	2.8%	10.4%	25.2%	32.8%	23.0%	17.1%	27.1%

	State Farm Plan				TDA Plan			
	Account owners	Financial advisors	Other	Not noted	Account owners	Financial advisors	Other	Not noted
2017	--	--	--	--	50.7%	12.2%	15.2%	21.9%
2018	51.6%	19.7%	6.7%	22.0%	53.9%	12.2%	15.4%	18.5%

“Other” consists of authorized individuals/parent-guardians, banks, third parties and all other callers.

Note that data on the type of individuals who called the State Farm Plan is not available before the August 2018 conversion from Oppenheimer to First National Bank of Omaha.

28. By month, how many calls did each Plan receive during 2018 and 2019 (through June 30)?

	NEST Direct Plan	NEST Advisor Plan	State Farm Plan	TDA Plan
2018				
January	3,598	3,821	--	3,197
February	2,131	2,530		2,207
March	1,838	2,157		2,030
April	1,948	2,215		2,170
May	1,735	2,079		2,105
June	1,617	2,060		1,961
July	2,755	3,212		2,701

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August	3,471	4,068	7,756	2,929
September	1,962	2,340	3,795	1,950
October	2,044	2,435	4,562	2,133
November	1,622	1,963	4,787	1,890
December	2,460	2,585	4,237	2,381
2019				
January	3,133	3,594	5,547	2,808
February	1,852	2,180	3,683	2,124
March	1,763	2,011	3,323	1,973
April	1,744	2,057	3,183	2,272
May	1,622	2,085	2,695	1,894
June	1,644	1,870	2,233	1,879

Note that data on the number of monthly calls the State Farm Plan received is not available until August 2018 due to the conversion from Oppenheimer to First National Bank of Omaha.

29. What percentage of Plan account use electronic delivery for statements, confirmations and tax forms?

As of June 30, 2019, 37% of Plan accounts utilize electronic delivery.

30. How many Plan statements, confirmations and tax forms were mailed each month in 2018?

2018	NEST Direct Plan			NEST Advisor Plan		
	Statements	Confirms	Tax Forms	Statements	Confirms	Tax Forms
Jan	35,265*	8,711	9,508	41,478*	9,078	8,092
Feb	n/a	4,671	n/a	n/a	6,212	n/a
Mar		4,012			5,603	
Apr	11,236	4,171		18,084	5,401	
May	n/a	3,852		n/a	5,631	
Jun		3,610			5,344	
Jul	10,012	18,124		16,794	23,150	
Aug	n/a	6,311		n/a	11,549	
Sep		4,351			5,900	
Oct	26,261	4,675		16,701	6,257	
Nov	n/a	4,101		n/a	5,914	
Dec		7,043			7,874	
Total	82,774	73,632		9,508	93,057	

2018	State Farm Plan			TDA Plan		
	Statements	Confirms	Tax Forms	Statements	Confirms	Tax Forms
Jan	36,722*	n/a	3,121	23,105*	5,640	4,056
Feb	n/a		n/a	n/a	n/a	3,825
Mar					3,561	
Apr					8,626	3,703

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May				n/a	3,649	
Jun				n/a	3,513	
Jul				8,231	11,798	
Aug		125,442**		n/a	4,589	
Sep		3,336		n/a	3,559	
Oct	17,201	3,475		12,728	3,771	
Nov	n/a	3,834		n/a	3,390	
Dec	n/a	3,344		n/a	4,514	
Total	53,923	139,431	3,121	52,690	55,512	4,056

* These statements relate to quarter four of 2017, and were mailed in 2018.

** Oppenheimer used to be responsible for the marketing, investment management and recordkeeping of the State Farm Plan. In August 2018, all of Oppenheimer’s responsibilities transitioned to First National Bank of Omaha. As part of that transition, every State Farm Plan account owner received a confirmation statement in August 2018. Some data on the number of statements and confirmations mailed each month prior to the transition is unavailable.

31. During 2018, how many accounts received contributions via payroll deduction, and what were the methods of employee contributions? How many employers participated during this same time?

In 2018, 3,330 Plan accounts received at least one contribution via payroll deduction. During that same time, 808 employers deducted contributions from employees’ paychecks.

32. Will the Issuer provide (or cause the current program manager to provide) the contact information of all the organizations participating in a payroll deduction program?

Yes.

33. How many firms are distributing the Plans via an omnibus platform relationship and what is the breakdown of accounts by Plan and share class?

Morgan Stanley Smith Barney distributes the NEST Advisor Plan via NSCC Level 4. This launched July 2019.

OTHER

34. Does Section IV of the RFP require any specific response or acknowledgement?

If a Provider is unable to meet or takes an exception to any of the Services, service levels or requirements set forth in Section IV, the proposal must clearly state as much in the executive summary.

35. Who is the custodian for the Plans?

Bank of New York Mellon

36. Is each Plan’s transaction history available back to the Plan’s inception available?

The State believes all this information is available.

37. Are source documents (e.g., account applications, transaction instructions and correspondence), account statements and tax forms available electronically back to each Plan’s inception? Would such documents be provided electronically as part of a conversion?

The State believes all this information is available electronically and would be available as part of a conversion.

38. Will the Program Manager be responsible for annually paying for and conducting an audit of all four Plans, or just the NEST Direct and NEST Advisor Plans? Are the Plans currently audited at the same time under one cost?

Yes, the Program Manager will be responsible for annually paying for and conducting an audit of all four Plans. Currently, all four Plans are audited at the same time under one cost.

39. Are Council meeting materials provided by the current program manager publicly available?

Yes, they may be accessed at <https://nic.nebraska.gov/performance-publications/#annual-reports> and <https://nic.nebraska.gov/meetings>.

40. Section IV.C.1.b states that the Plans must be managed in compliance with “guidelines established by the Issuer.” Are such guidelines available?

Providers may use Attachment A as the Issuer’s guidelines.

41. Section IV.D.7 asks the Provider to ensure that the Plans’ websites are the sole source of detailed information available about the Plans on the Internet. Would this obligate the Program Manager to monitor the Internet for information about the Plans that third-parties may create?

Yes, to an extent. The Issuer expects the Program Manager to monitor websites that have a nexus to the Plans (e.g., savingforcollege.com, Morningstar) for information about the Plans that may be misleading or incorrect. If such information is found, the Program Manager should notify the Treasurer and contact the website in order to correct the information. However, the Issuer does not expect the Program Manager to monitor the entirety of the Internet for information about the Plans.