MOST 529 FDIC Sweep Investment Product
Request for Information (RFI)

Issued by:
The Missouri State Treasurer’s Office (STO)

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Responses are requested by:
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Responses are to be submitted to:
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Introduction –

Section 529 of the Internal Revenue Code permits states and state agencies to sponsor qualified tuition programs (“529 plans”), which are tax-advantaged programs intended to help individuals and families pay the costs of education. MOST—Missouri’s 529 Education Plan (the “Plan”) is a 529 plan sponsored by the State of Missouri. Additionally, the State of Missouri provides a tax deduction for contributions to MOST and other qualified 529 plans up to $8,000 for an individual and $16,000 for a married couple.

MOST is administered by the Missouri State Treasurer’s Office (STO) in conjunction with the MOST Board. The Treasurer’s Office and the MOST Board have entered into an agreement with Ascensus to be the program manager for MOST, and with Vanguard and Dimensional Fund Advisors to provide investment options and investment management services. These investment options include a range of products including stock and bond portfolios, an age-based glide path, and an interest accumulation portfolio.

Purpose of Request for Information (RFI) –

The STO is currently planning for procurement to add a FDIC sweep investment option to the MOST 529 investment offerings. This Request for Information (RFI) is issued for the purpose of obtaining information to support development of a procurement approach for consideration by the STO in preparing one or more Requests for Proposal (RFPs) to be awarded in one or more distinct contracts. The STO is seeking information regarding available FDIC sweep investment solutions that are configurable and would provide a safe and easy option for MOST participants who opt for said option.

Background –

Several recent federal law changes have highlighted the need for a guaranteed investment option within the MOST program. First, federal law was expanded in 2018 to allow withdrawals of up to $10,000, per tax year, from a 529 plan to pay for k-12 tuition expenses. Second, more recently, the Setting Every Community Up for Retirement Enhancement (SECURE) act was signed into law. Among other provisions, it allows for qualified withdrawals from 529 plans up to $10,000, per beneficiary, for student loan repayment.

Missouri statutes were changed in 2018 to mirror the federal K-12 expansion, and the Treasurer’s Office, along with the MOST Board, is currently reviewing what steps are necessary to implement the new SECURE Act student loan repayment provisions for MOST.

MOST beneficiaries about to enter college may desire a guaranteed investment option, particularly during times of economic uncertainty. The aforementioned legislative changes provide additional scenarios where a guaranteed investment option may be beneficial to MOST participants. For families with multiple children, and potentially multiple MOST accounts, an investment option which uses multiple financial institutions to provide protection above the current FDIC limits may be preferable.
Vision –

The STO envisions a FDIC sweep MOST 529 investment option. The FDIC sweep investment option would be administered by one Missouri state-chartered or federal-chartered financial institutions (referred to as the “sweep administrator”), which would have a contractual arrangement with the STO, the MOST Board, and an operational agreement with Ascensus.

Currently, the program management fee in the Ascensus/Vanguard lineup is 19 basis points (BPS) of assets under management (AUM). This fee reimburses Ascensus for their services including record keeping, program advertising, etc. The sweep administrator will be required to transfer this program management fee to Ascensus out of the account holders’ earnings on the sweep product. Account holders should always have a positive return on this investment.

The sweep administrator would make MOST 529 deposits available to all financial institutions that currently have a depositary contract with the STO. Currently, the STO has 140 active depositary contracts. The STO does not anticipate all 140 financial institutions will participate, but any that want to should be given a reasonable chance to participate.

Ascensus has engaged with BNY Mellon to serve as the custodian and to provide the unitization for the new FDIC sweep investment option. BNY Mellon will interact daily with the sweep administrator. Here’s how Ascensus expects to support this investment option:

The sweep administrator will maintain an omnibus account (registered to the financial institution) held on the record-keeping system for the MOST Plan. Each day, when Ascensus sums up all of the activity in the sweep administrator’s FDIC sweep investment product, Ascensus will generate one daily net trade in that account (either a “BUY” or a “SELL”). Ascensus will provide this trade request to BNY Mellon.

BNY Mellon will send a daily trade ticket to the sweep administrator. The sweep administrator will then have to send a withdrawal to BNY Mellon (if a Sell is elected) or receive an incoming wire from BNY Mellon (if a Buy is elected).

RFI questions –

1) Can your organization fulfill the following requirements? If not, what changes in requirements would allow your organization to fulfill the requirements?

   a) Interest will begin to accrue to account holders the day that the contribution is processed into the savings account within the MOST program.

   b) The sweep administrator must be prepared for unlimited withdrawals from plan participants.

   c) All financial institutions with current STO depositary contracts will be given the opportunity to participate via allocated deposits from the sweep administrator.
d) All participating financial institutions must agree to a standard terms of business as set forth by the plan and the sweep administrator, including rate of return and the process for rate changes.

e) When a withdrawal request is sent to the sweep administrator from BNY Mellon, the withdrawal must be wired to BNY Mellon no later than the close of business on the same business day.

f) In the event of a rate change, which would likely only happen with a corresponding change to an interest rate benchmark used by the sweep administrator, Ascensus will require at least 10 business days of notice before the effective date of the change.

g) The sweep administrator must develop a process, through a disclosure or some other format, to ensure participants are aware of which financial institutions their deposits are placed at. Additionally, to ensure full FDIC insurance for all deposits, participants must be able to opt out of a particular financial institution or financial institutions. Making this functionality available is solely the responsibility of the sweep administrator and is not the responsibility of Ascensus or the Treasurer’s Office.

2) Can your organization provide these services, produce a positive return for participants, and also transfer 19 BPS as a program management fee to Ascensus to reimburse them for their services?

3) Does your organization have experience with a similar FDIC sweep investment product? If so describe the experience.

4) Could your organization provide a demonstration of a FDIC sweep investment product?

5) How long would it take your organization to implement the described FDIC sweep investment product?

6) How would your organization fulfill requirement 1.g for individual opt out from specific financial institutions?

7) What about this RFI is unclear or unworkable that could be improved in the final RFP document?

8) What information, beyond the daily sell or buy ticket, would your organization require from the program manager Ascensus to facilitate this product on a daily basis?
RFI response -

As noted above, the purpose of this RFI is to obtain information to support development of a procurement approach for consideration by the STO in preparing one or more Requests for Proposal (RFPs) to be awarded in one or more distinct contracts. This RFI does not constitute a solicitation of proposals, a commitment to conduct procurement, an offer to contract, or a prospective contract. The descriptions in this RFI are tentative and may change prior to the procurement of system integration services.

The STO is not liable for any costs incurred by respondents to produce and submit a response to this RFI.

All submitted responses to this RFI will be subject to Missouri’s Sunshine Law and will be shared upon request or will be made publicly available on the State of Missouri website. More information regarding the Missouri Sunshine Law can be found at http://ago.mo.gov/sunshinelaw/.

All information received from respondents becomes the property of the State Treasurer’s Office (STO). As such, RFI responses can be published in the public domain at the conclusion of the selection process. The STO does not guarantee protection of any information from public disclosure.

RFI designated point of contact –

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