



STATE OF HAWAII
Department of Human Resources Development

RELEASE DATE: September 13, 2017

REQUEST FOR PROPOSALS
RFP NO. 18-2-FSA
SEALED OFFERS
FOR

THIRD PARTY ADMINISTRATOR

FOR THE STATE OF HAWAII
ISLAND FLEX
FLEXIBLE SPENDING ACCOUNTS PLAN

WILL BE RECEIVED UP TO 4:00 P.M. (HST) ON
OCTOBER 26, 2017

IN THE EMPLOYEE ASSISTANCE OFFICE, 235 SOUTH BERETANIA STREET,
ROOM 1004, HONOLULU, HI 96813. DIRECT ANY QUESTIONS RELATING TO THIS
SOLICITATION TO MS. DOREEN KURODA, TELEPHONE (808) 587-1169,
FACSIMILE (808) 587-1107 OR E-MAIL AT doreen.j.kuroda@hawaii.gov.

James K Nishimoto

JAMES K. NISHIMOTO
Procurement Officer

Dept. of Human Resources Development
Name of Company

RFP-18-2-FSA

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PUBLIC NOTICE TO OFFERORS

NOTICE is hereby given that COMPETITIVE SEALED PROPOSALS for a THIRD PARTY ADMINISTRATOR for the STATE OF HAWAII (“**STATE**”) *Island Flex* FLEXIBLE SPENDING ACCOUNTS Plan, RFP No. 18-2-FSA, are being solicited. Proposals shall be mailed or hand-delivered to the Department of Human Resources Development (“**DHRD**”), 235 S. Beretania St., #1004, Honolulu, HI 96813, and must be received by **4:00 p.m. (HST), October 26, 2017**. Deliveries by private mail services such as FedEx or equivalent shall be considered as hand-delivered. Proposals received after 4:00 p.m. (HST), October 26, 2017, shall be rejected and not considered. Proposals shall not be opened publicly, but shall be opened in the presence of the Director of Human Resources Development (“**Director**”) or persons designated by the Director.

The Request for Proposals (“**RFP**”) may be obtained at no cost, beginning at 9:00 a.m. HST, September 13, 2017 from the above address or can be mailed by calling (808) 587-1050. Prospective offerors/bidders requesting that the RFP be mailed to them must call (808) 587-1050 and provide their Federal Express account number or its equivalent.

The deadline for submission of written questions or requests to amend the RFP is 4:00 p.m. (HST), September 27, 2017. A written “Notice of Intent to Submit a Proposal” (“**NOTICE**”) must be received by the above office by 4:00 p.m. (HST), October 12, 2017, in order to receive official communications from the State involving the RFP. Questions and the Notice may be faxed to (808) 587-1107.

DHRD reserves the right to cancel this RFP, or reject any and all proposals, in whole or in part, when it is in the best interest of the State. The State and DHRD assume no financial responsibility/liability whatsoever for the preparation of any response to this RFP. For additional information, visit our website at: <http://www.dhrd.hawaii.gov>, or the Procurement Notices System located on the State Procurement website at <http://www.spo.hawaii.gov/>.

Inquiries regarding this RFP should be directed to the DHRD/Employee Assistance Office at 235 S. Beretania Street, Room 1004, Honolulu, HI 96813, or may be made by telephone to (808) 587-1050.

James K. Nishimoto, Director
Department of Human Resources Development
September 13, 2017

I. PROCUREMENT TIMETABLE

| | |
|---|---|
| Public Notice Announcing RFP | September 13, 2017 |
| Proposals Available for Distribution | September 13, 2017 |
| Deadline to Submit Written Questions/ Requests to Amend RFP | September 27, 2017 (4:00 p.m.HST) |
| State's Response to Questions/ Requests to Amend RFP | October 4, 2017 |
| Deadline to submit "Letter of Intent to Submit a Proposal" | October 12, 2017 (4:00 p.m.HST) |
| Deadline to Submit Proposals | October 26, 2017 (4:00 p.m. HST) |
| Proposal Evaluation Period | November 6 – 21, 2017 |
| Interviews with Priority-Listed Offerors (if requested by the State) | November 27, 2017 – December 1, 2017 |
| Deadline to submit Best and Final Offer (if requested by the State) | December 11, 2017 |
| Administrator Selection & Award | December 29, 2017 |

Note: All times specified herein are based on Hawaii Standard Time ("HST").

Proposals must be received by the Department of Human Resources Development ("DHRD") by **4:00 p.m. HST, October 26, 2017**. Late proposals shall be rejected and not be considered.

The above dates are estimates only and are subject to change at the STATE's sole discretion. The STATE reserves the right to change any date(s) as deemed necessary and in the best interest of the STATE.

II. INTRODUCTION

A. Purpose

This Request for Proposals (“**RFP**”) has been issued for the purpose of contracting with a Third Party Administrator (“**TPA**”) to provide the administrative services for the State of Hawaii’s (“**STATE**”) *Island Flex* Flexible Spending Accounts (“**FSA**”) Plan, which includes, but is not limited to, preparation of informational materials, employee enrollment forms, employee account statements, reimbursement checks, reports to the Department of Human Resources Development (“**DHRD**”); conducting employee orientation sessions; and providing guidance and interpretations of the Internal Revenue Service (“**IRS**”) rules and regulations governing cafeteria plans.

B. Background

Pursuant to Hawaii Revised Statutes (“**HRS**”) section 78-30, the STATE is authorized to establish and administer a Cafeteria Plan for the benefit of State employees. DHRD is charged with the responsibility for administering the State’s Cafeteria Plan.

The STATE established the Plan in July 2000 in accordance with section 125 of the Internal Revenue Code (“**Code**”) of 1986, as amended, which includes both Medical Expense Reimbursement and Dependent Care Expense Reimbursement Spending Accounts for all eligible State employees, as defined in the State of Hawaii Personnel Administrative Rules and Memoranda of Agreement.

Approximately 51,630 State employees are eligible to participate in the Plan, including but not limited to employees of the State Executive Branch, the Legislative Branch, the Judicial Branch, Office of Hawaiian Affairs, and the Hawaii Health Systems Corporation. Currently there are approximately 4,434 employees participating in the Plan.

The Plan Year runs from July 1 – June 30 and the open enrollment period is conducted annually in March through April.

Under the Medical Expense Reimbursement Account, eligible employees can elect to contribute up to \$2,400 each plan year. The STATE has opted to allow employees to rollover up to \$500 remaining in their medical expense reimbursement account at the end of the plan year, including the 90-day run out period into the following year’s election.

Under the Dependent Care Expense Reimbursement Account, eligible employees may elect up to \$5,000 each plan year or \$2,500 for employees who are married and filing a separate tax return.

The Department of Accounting and General Services (“**DAGS**”) operates the State’s primary payroll system. There are twenty-four (24) pay dates per year, which occurs on the 5th and 20th of each month. If any of these dates fall on a weekend or a holiday, the pay date is the last business day before those scheduled dates. The CONTRACTOR shall be required to electronically receive and transmit payroll data every pay period. The DAGS payroll system can receive and transmit data that use the File Transfer Protocol (FTP). The State is currently using the Axway Secure Transport Solution which will involve customer pick-up and drop off of data on the State of Hawaii’s Axway FTP Server. However, the DAGS payroll system is currently involved with a modernization project which could mean a migration off the Axway Secure Transport to CherryRoad Technologies FTP Services. The CONTRACTOR shall be required to operate within this or any other framework adopted by the State.

The State has employees on all islands (i.e., Oahu, Kauai, East and West Hawaii, Maui, Molokai, and Lanai). Travel between the islands will be necessary to service all eligible employees who participate in the Plan.

III. SCOPE OF WORK

The requirements specified in this section are designed to assist the OFFEROR in submitting a proposal that will best meet the needs of the STATE. The requirements presented specify the services to be provided by the CONTRACTOR and the minimum capabilities required.

The CONTRACTOR shall implement and efficiently administer the Plan for the STATE in accordance with applicable federal and STATE laws, rules and regulations, including but not limited to those governing Code section 125 cafeteria plans and the Health Insurance Portability and Accountability Act of 1996. The services required shall include, but are not limited to the following:

A. Administrative Services

1. Maintain sufficient staff in order to perform the following functions which shall include, but not be limited to:
 - a. Regulatory compliance;
 - b. Eligibility determination and enrollment;
 - c. Accounting/finance; and
 - d. Customer service/support.
2. Assist the STATE with the amendment, as necessary, of the Plan Document, Administrative Rules (pursuant to HRS chapter 91), and Summary Plan Description, including attending administrative rules public hearings.
3. Obtain all required approvals for the Plan to ensure that the STATE is in compliance with all applicable federal and STATE laws, rules, and regulations.
4. Act as a liaison to all applicable federal and STATE agencies, as required.
5. Ensure compliance with all applicable STATE and federal laws, rules and regulations that are related to the proper operation of the Plan.
6. Prepare any reports or tests for the Plan required by federal and/or STATE laws, rules and regulations (including IRS Form 5500), and, if necessary, perform any required discrimination testing at least twice each

Plan year. All Code- related reports and tests shall be prepared/filed in accordance with Code rules, regulations, and timetables.

7. Keep DHRD apprised of all new or amended laws, rules and regulations of applicable regulatory agencies which may affect section 125 plans (including FSA plans and premium conversion plans), and provide information on present or future federal or State-level changes pending, legislatively or otherwise, and their implications for section 125 plans and their participants.
8. Advise DHRD on the merits of maintaining the Plan and its provisions, and recommend amendments to the Plan as may be required by changing conditions, laws, or regulations.
9. Conduct informational/educational sessions for departmental human resources offices and eligible employees on all islands, including all open enrollment activities annually and at times specified by the STATE.
10. Design, print, and distribute in sufficient quantities, at no cost to the STATE, all customized written informational materials to fully apprise all eligible employees of the Plan's purposes and provisions, and design, print, and distribute all necessary Plan forms, including but not limited to, enrollment, cancellation and reimbursement claim forms. All materials shall be required to have the STATE's pre-approval. Distribution of informational materials/forms shall be to approximately three hundred sixty (360) worksites.
11. Prepare customized informational videos, which shall be pre-approved by the STATE.
12. Provide assistance to all employees in completing all required forms, including annual enrollment forms, payroll forms, and any other forms required by the STATE. Ensure that all eligible employees sign a participation form annually, as required by the STATE.
13. Provide all assistance necessary to educate/enroll disabled employees on the Plan, including but not limited to, large print materials, text telephones, sign language interpreters, and any other actions required by the Americans with Disabilities Act of 1990, as amended.
14. Work with and coordinate all open enrollment activities/forms with the State's Employer-Union Health Benefits Trust Fund, as appropriate.
15. Attend all meetings, legislative hearings, and public hearings, as required by the STATE, to explain the Plan and answer questions and assist DHRD in drafting written testimony, as requested by the STATE.

16. Perform all other day-to-day responsibilities necessary to ensure the effectiveness and integrity of the Plan in accordance with generally accepted industry practices and/or as requested by the STATE.
17. Provide administrative services, at the same level as the Medical Expense Reimbursement and Dependent Care Expense Reimbursement FSAs, for any other flexible spending account the Code may authorize and the STATE chooses to implement (e.g., adoption assistance plans, legal assistance plans).

B. Customer Service/Support

1. Maintain a local service office in Honolulu that is open Monday through Friday, 8:00 a.m. to 5:00 p.m. (HST)* to answer inquiries about enrollment status, Plan benefits, COBRA applications, contribution amounts, claims procedures, etc.
2. If the CONTRACTOR does not have neighbor island offices, the CONTRACTOR shall maintain other service locations on the neighbor islands or a toll-free customer service telephone number that will be available from 8:00 a.m. to 5:00 p.m. (HST)*.
3. Allow for employee self-service via a secured website on the Internet. Such self-service capabilities shall include, but not be limited to:
 - a. Information on the Plan;
 - b. Frequently Asked Questions;
 - c. Forms;
 - d. E-mail inquiry capabilities;
 - e. On-line enrollment, during open enrollment and for mid-year changes;
 - f. Address changes;
 - g. Account status and history; and
 - h. Any other information reasonably requested by the STATE.
4. Respond to all inquiries whether in the form of telephone calls, correspondence or personal visits from participants or State agencies with

* Optional for local service office to open on State holidays.

respect to Plan requirements, eligibility, family status changes, procedures, rules, and/or other matters.

5. Promptly respond by telephone, mail and/or e-mail to inquiries from participants and all interested parties regarding Plan requirements, eligibility, problems, procedures, rules, and/or other matters, provided that:
 - a. Telephone inquiries shall be promptly responded to within one business day. This includes requests for Plan reimbursement claim forms or family status change forms.
 - b. Written responses to inquiries requiring research or requiring written confirmation shall be provided within five (5) business days of the request or inquiry.
6. Ensure that customer service representatives are well trained in laws and rules specific to the Plan.
7. Provide a system, computer or otherwise, so that customer service representatives have the ability to gain immediate access to a participant's FSA account to verify enrollment, deposits, claim authorizations, amounts and dates of reimbursements processed and account balances, status of authorizations of claims, dates of mailing/deposit, etc.
8. Provide an adequate number of customer service representatives to handle the volume of walk-ins for the Honolulu office and employee telephone calls. These representatives shall provide prompt, knowledgeable, and courteous service at all times.
9. Ensure adequate staffing to handle increased workload during open enrollment and other special events.
10. Send to participant's homes, in a timely manner, any information or forms required by the Code or the STATE.
11. Assure that customer service representatives have laptop/notebook computers and appropriate software to assist employees in making decisions, including the ability to inform each employee how contributions to the Plan affect his/her net paycheck.
12. Provide staff to explain the Plan when requested by the STATE and at New Employee Orientation Sessions sponsored by the STATE and elsewhere as requested.

C. Enrollment

1. Process annual open enrollment and allowable family status changes for all Plan participants, including but not limited to, birth/adoption of a child, marriage, divorce, termination, and death, etc.
2. Send confirmation letters for FSAs, with a start-up supply of reimbursement claim forms, to all enrollees prior to the first employee payroll deduction. Confirmation letters shall specify, at a minimum, the type of spending account, the annual amount of salary reduction and the pro-rated semi-monthly amount.
3. Design a system that shall not use a participant's full social security number as an identifier to process claim reimbursement forms.
4. Assist employees with family status changes and ensure that the changes qualify under the Plan Document/administrative rules and the Code.
5. Assume responsibility for carrying out the requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**") and all amendments thereto that have been or may be enacted, as they relate to FSAs, including notification to participants/dependents, and maintenance of accounts for any participant/dependent who elects continuation under COBRA.
6. Assume responsibility for carrying out the requirements under the Health Insurance Portability and Accountability Act of 1996 and all amendments thereto that have been or may be enacted, including applicable notification to participants/dependents.
7. Promptly and courteously answer all employee questions/inquiries and provide written responses when needed or requested.

D. Appeals

1. Develop and administer appeal procedures, with the approval of the STATE, for employees who believe decisions/actions are not consistent with the Plan Document, administrative rules, and/or Code; whose claims are rejected or denied; whose claims are not processed in a timely manner; whose accounts are misstated; whose reimbursement checks are delayed or incorrect; whose request to change is denied; or who may have other complaints against the CONTRACTOR or the STATE. This includes, but is not limited to:

- a. Receiving all Plan appeals, conducting investigations, resolving appeals, and preparing a response in a timely manner on behalf of the STATE.
- b. Notifying the STATE immediately of any employee or participant appeal, or any participant request that cannot be handled within the day-to-day scope of the CONTRACTOR's customer service department.

E. Accounting/Recordkeeping and Financial Support Services

1. Accurately input all participant data and validate data fields and/or ranges, including but not limited to: names; social security numbers; line item numbers, agency codes, payroll distribution codes; and contribution amounts (that do not exceed the legal account limits or limits set by the STATE.)
2. Provide on a semi-monthly basis, within the deadlines prescribed by DAGS, data containing any/all required participant data information to the STATE payroll office(s) in a format specified by the STATE, or electronic transfer of such data.
3. Resolve any errors including those discovered on its own or by the STATE.
4. Develop and provide error resolution and prevention instructional materials, subject to the STATE's approval.
5. Establish a claims processing/reimbursement system with a standard that at least 90 % of claims shall be processed within five (5) business days after receipt of a claim and that 100 % shall be processed within ten (10) business days of receipt of a claim. Reimbursement checks shall be issued for \$25.00 or more, except for the final reimbursement at the end of the Plan year.
6. Provide each participant, via U.S. postal mail to participant's home, with a quarterly transactional summary that includes but is not limited to the following:
 - a. Individual deposits;
 - b. Reimbursements;
 - c. Dates of service for each reimbursement;
 - d. Account balances;

- e. Outstanding authorized claims;
 - f. Appropriate and timely general messages to participants regarding the Plan. The message shall be pre-approved by the STATE;
 - g. A reminder of the “use-it-or-lose-it” and rollover provision, and the deadline date for filing claims, on participants’ third quarter statements; and
 - h. Any other information reasonably requested by the STATE.
7. Send to each participant’s home, at the end of each Plan year, a statement of each participant’s account balance(s) and a reminder of the ninety (90) day grace period (“run out” period) for the submission of claims for expenses incurred during the preceding Plan year.
 8. Pay the full amount of a Medical Expense Reimbursement claim that is submitted for an amount larger than a participant’s account balance, up to the amount the employee will have contributed for the entire Plan year, as required under the Code.
 9. Provide a late-billing procedure to accept claims filed after the close of the grace period, if the late filing was not the participant’s fault (e.g., waiting for documentation, etc.).
 10. Maintain participants’ year-to-date contributions and process a STATE cancellation of payroll deduction form at the point that the employee would exceed his/her annual elected amount, or the legal account limit. Process a cancellation form, as required by the STATE, for terminating employees and employees who do not re-enroll each Plan year.
 11. Provide stop-pay, void, and stale-date check procedures, with the approval of the STATE.
 12. Provide a comprehensive system of audit and control to track and balance accounts and to ensure the overall fiscal integrity of the Plan, maintaining all records associated with an individual’s account (including contributions, enrollment forms, authorizations, address, reimbursements) that relate to the proper administration of an account, and ensure that all necessary forms and authorizations are complete, on file, and in compliance with the Plan’s rules and requirements of the Code.
 13. Comply with and implement instructions given by the STATE for the disposition of any balances in any participant’s account following the close

of each Plan year's grace period. Any and all forfeitures shall be returned to the STATE by October 31st of each year.

14. If requested by the STATE, set up and deposit participant contributions into:
 - a. An interest-bearing account in the name of the STATE at a financial institution approved by the STATE; or
 - b. An alternative investment product in the name of the STATE (e.g. savings account, checking account, money market account, etc.) with a provider approved by the STATE. The investment product(s) shall guarantee, at a minimum, a full return of principal.

The STATE shall retain any and all interest earned on the account or investment product.

PLEASE NOTE: The STATE may decide to set up its own account to deposit the participant contributions and periodically transfer funds to the CONTRACTOR for distribution to the participants. The STATE shall select the type of account or investment product that shall be utilized after proposals have been submitted.

15. Maintain all necessary accounting records including recordation of all receipts and disbursements for at least seven (7) years, in a secure and safe manner.
16. Process the expenditures for administrative expenses for the services covered by this RFP; including arrangements for proper approvals and signatures for the disbursement of funds, record and account for disbursement of all funds, etc.
17. Maintain necessary check registers showing disbursements for at least seven (7) years, in a secure and safe manner.
18. Maintain internal accounting controls and reconcile any financial reporting discrepancies.

F. Consultation Services

1. Provide consultation to the STATE regarding all cafeteria plan-related benefits, including the Plan and premium conversion plan. This includes, but is not limited to:
 - a. Answer questions regarding all cafeteria plan-related benefits;

- b. Assist in review and analysis of the impact of legislative bills/statutes relating to cafeteria plan-related benefits; and
 - c. Provide letters of interpretation of section 125 of the Code and the rules governing the Plan and the premium conversion plan.
2. Confer with the STATE's deferred compensation third party administrator(s) and tax sheltered annuity agents, when necessary, to provide assistance so that employees do not over-defer into their deferred compensation plan as a result of participating in the Plan.

G. Reports

1. Quarterly Reports

- a. The CONTRACTOR shall provide quarterly reports to DHRD, in a form requested by the STATE that contain, without limitation, such information as:
 1. Number of employees contributing to each type of expense account;
 2. Amount of payroll reductions for each type of expense account;
 3. Fees charged;
 4. Number of new enrollments;
 5. Number of separated participants;
 6. Number of claims received and processed;
 7. Disposition of claims;
 8. Number of claims rejected;
 9. Claim adjustments made after initial disposition;
 10. Number, nature, and resolution of complaint calls;
 11. Average number of days elapsed in processing claims;
 12. Number of claims paid after ten business days and reasons;
 13. Beginning balance in each type of expense account for the period;
 14. Contributions and withdrawals in each type of expense account for the period;
 15. Ending balances for each type of expense account for the period;
 16. Beginning and ending balance of forfeitures (including contributions, withdrawals, and interest-earned) for the period; and
 17. Any other information reasonably requested by DHRD and/or the STATE.

- b. These reports shall be provided within fifteen (15) days after the end of each quarter.

2. Annual Reports

- a. The CONTRACTOR shall provide an annual report (or semi-annual if requested) to DHRD that summarizes the information in G.1.a. above, and any other information reasonably required by the STATE.
- b. The semi-annual report(s) may be in lieu of an annual report which shall typically cover the periods of July 1 to the following June 30, and provided to DHRD by July 15 of each year.

3. Independent Audit

- a. The CONTRACTOR shall provide, at the STATE's request (and at no cost to the STATE), an independent audit of the financial transactions of each type of FSA account and the Plan's forfeitures.
- b. The results of the audit shall be submitted to the STATE within one hundred twenty (120) days of the STATE's request for an audit.
- c. The selection of the auditor shall be approved by the STATE.

4. Ad Hoc Reporting

- a. The CONTRACTOR shall be responsible for notifying DHRD immediately in writing of any material events (e.g., ownership changes, personnel departures, violation of guidelines, etc.) that potentially could have a negative impact on the Plan.

H. Protection of Personal Information

1. Ensure compliance with all applicable STATE and federal laws, rules and regulations that are related to the protection of participants' personal information.
2. Notify the STATE and the affected individual(s) immediately whenever personal information has been compromised by any unauthorized disclosure.
3. Establish security procedures to maintain confidentiality and integrity when disposing of records containing personal information, and take reasonable measures to protect against unauthorized access to or use of the information in connection with or after its disposal.

I. Other Services

1. Conduct a customer service satisfaction survey of a statistically significant random number of participants periodically, if requested by the STATE. The contents of the survey shall be approved by the STATE. Prepare a survey report and present to the STATE within sixty (60) days after participant responses are due.
2. Provide data processing services, maintain enrollment and financial databases, and provide adequate security and emergency protection of all data, records, forms and data processing operations devoted to the Plan, including but not limited to:
 - a. Establish procedures to ensure the data processing system will be back in at least minimal operation within thirty (30) calendar days of a disaster, such as, but not limited to, a fire, flood, hurricane, tornado, earthquake, or bomb;
 - b. Back up all tapes and files daily for changes;
 - c. Provide for off-site disaster back up of computer data files in connection with the Plan. Additionally, the CONTRACTOR shall have a disaster recovery plan in effect and shall be required periodically by the STATE to provide evidence that the system has been tested within the last twelve (12) months; and
 - d. All computer data files, as maintained by the STATE, shall at all times remain the property of the STATE, notwithstanding the fact that such records may be stored upon or within one or more computer or data retention systems owned, operated, or leased by the CONTRACTOR.
 1. The STATE or its representatives shall at all reasonable times have access to all of the records.
 2. In the event that the records are maintained on a computer system or other data retention system not owned by the CONTRACTOR, the CONTRACTOR shall provide the STATE with assurances from the owner of such system, satisfactory to the STATE, of the continued availability and security of the records at all times.
3. Provide the STATE with access to all back-up source materials, reports, books, records, computer programs, and all other information and

documentation relating to the Plan as reasonably required to enable the STATE to conduct a financial examination and/or audit of the Plan.

4. Perform necessary on-going programming and modifications to the system to meet the needs of the STATE.
5. Manage the files and records of the Plan in accordance with record retention policies approved by the STATE.
6. Provide other services reasonably required by DHRD and/or the STATE.
7. Specify any other additional services you are willing to provide to the STATE and the Plan (at no additional cost to the STATE and Plan Participants) that are not specified in this RFP.

J. Transition Plan for Assumption of Services

1. Plan for assumption of services from current TPA:
 - a. The OFFEROR shall provide a transition plan approved by the STATE that outlines the specifics on how the transition process to transfer the Plan's record keeping shall be completed.
 - b. The OFFEROR shall address all questions by the STATE regarding the transition and transfer of the Plan's records.
 - c. The OFFEROR shall establish written and actual procedures for handling all participant activities (including conducting Open Enrollment activities) during the transition period.

K. Turnover Plan

1. Provide a Turnover Plan, acceptable to the STATE, which provides for the complete transfer of the Plan's operations and accounts to the STATE or to a successor TPA. Such a plan shall be used at the end of the contract period to minimize any disruption of processing or service to participants, and the STATE's goal is continuity of Plan operation. This includes but is not limited to:
 - a. Provide the STATE with any required technical assistance and advice during the turnover period;
 - b. Cooperating fully with the STATE and any successor TPA during the turnover period;

- c. Provide the STATE with a Turnover Plan within six (6) months of execution of a contract;
 - d. Update the Turnover Plan, as requested by the STATE;
 - e. Meet with the STATE to review all open payroll audit, delinquency, and any other pending matters to ensure that these open matters are properly picked up and resolved by the successor TPA;
 - f. Attend meetings, as required by the STATE, with STATE representatives and designees; and
 - g. Provide other turnover services reasonably requested by the STATE.
2. Coordinate the changing of signatories on the Plan's bank accounts; notify the bank(s) of the change(s) in administrators.
 3. Prepare necessary letters, pre-approved by the STATE, informing STATE agencies and Plan participants of the change in administrators and specific instructions to ensure a smooth transition.

IV. OFFEROR'S QUALIFICATIONS

A. Executive Summary

1. Provide an executive summary of the OFFEROR's proposal that shall:
 - a. Not exceed three (3) pages in length;
 - b. Fully disclose ALL material facts, terms, and conditions, and include a detailed summary of:
 1. The OFFEROR's qualifications and experience, including the experience and background of those individuals who would be assigned to the implementation and management of this project, the services that you intend to provide, your understanding of the Plan and the objectives of the Plan, and the strength and distinguishing characteristics of your company and your response;
 2. The fees charged for administrative services under this RFP; and
 3. Why the OFFEROR should be selected.
2. The Executive Summary shall be detachable from the OFFEROR's main proposal.

B. Offeror's Qualifications and Experience

1. State the name, address, telephone, e-mail and internet addresses, and fax number(s) of your company and the principal contact for this RFP.
2. Describe fully your company's corporate or other business entity structure, including the state of incorporation or formation and list any controlling stockholders, officers, directors, general partners, members, managers, etc.
 - a. Attach an organization chart of the company (or any part of the company associated with this RFP) showing principal officers, directors, general partners, members, managers, etc. and staff members who will be associated with this RFP.
 - b. What is the principal business of your company and when did your company begin work in the area of FSA administration?

- c. When was the company established?
 - d. Please indicate whether your company is a subsidiary or affiliate of another company and whether there are any pending or proposed agreements to merge or sell the company.
3. Provide full disclosure of any direct or indirect ownership or control by any administrative service agency and/or financial institution and describe fully.
4. An OFFEROR shall be licensed to transact business in the STATE, and shall have complied with all applicable STATE and federal registration and licensing requirements. Please provide proof that these applicable registration/ licensing requirements have been complied with (e.g., provide a current certificate of authority, etc., with your proposal).
5. What are the company's:
 - a. Total assets?
 - b. Capital and surplus?
 - c. Total income, after taxes, for 2016?
 - d. Total receipts for 2016?
6. Furnish a copy of your company's audited financial statements/financial reports for the last two (2) years. Such statements shall remain confidential to the extent provided by law (e.g., HRS chapter 92F).
7. Given your current contractual obligations, will you have any problem providing the services required under this RFP?
8. Provide opinion of legal counsel that the services you propose to provide are legal and appropriate for your company under STATE and federal laws and rules.
9. What professional liability insurance coverages are maintained by your company for errors or omissions or any other acts committed by your company or its employees?
10. Has any contract of your company ever been terminated for cause? If so, when, by whom and under what circumstances?
11. Do you now, or have you ever had, a contract with the STATE to provide products or services? Briefly describe the nature and scope of the contract.

12. Describe whether your company has been cited, or threatened with a citation, within the last five (5) years, by federal or state regulators for violations of federal or state law or implementing regulations. Please explain in detail.
13. Describe any litigation to which your company is currently a party, or in the last five (5) years has been involved in, either as a plaintiff or as a defendant, as it relates to the services you propose to provide pursuant to this RFP (including the current status of such litigation).
 - a. If there is any pending litigation, please provide an opinion of legal counsel that the pending litigation shall not impair the company's ability to provide the services under this RFP.
14. Does your company have or is it willing to open a local office in Honolulu? If so, how many employees will be located at the Honolulu office?

C. Offeror's Proposed Monthly Fee

Indicate the monthly fee(s) that you propose to charge the participants under the following scenarios:

1. One single monthly fee
 - a. Specify the fee that would be charged regardless of whether the employee enrolled in one or both types of spending accounts.
 - b. Specify the fee if enrollments are done using a voice response system (i.e., would there be a difference in amount?).
 - c. Indicate whether the fee would be different if the STATE decides to set up its own account to deposit participants' contributions and periodically transfer funds to the CONTRACTOR for distributions to participants. If so, specify the fee.
2. Two separate monthly fees
 - a. Specify the separate fees that would be charged if the employee chooses:
 1. Only one spending account; or
 2. Both spending accounts.
 - b. Specify the fee if enrollments are done using a voice response system (i.e., would there be a difference in amount?).

- c. Indicate whether the fee would be different if the STATE decides to set up its own account to deposit participants' contributions and periodically transfer funds to the CONTRACTOR for distributions to participants. If so, specify the fee.

3. Alternative fees

- a. Please provide, if any, other alternative fees/fee structures.

PLEASE NOTE: Fees cannot be assessed until the employee's first FSA payroll deduction.

- D. Interest-Bearing Account/Investment Product(s)

1. If requested by the STATE, which type of interest-bearing account at a financial institution do you propose to use to deposit the participant contributions? Please describe in detail.
2. Specify the financial institution you propose to use.
3. If requested by the STATE, which alternative investment product(s) (e.g., savings accounts, checking accounts, money market account, etc.) would you propose to use to deposit participant contributions? Please describe in detail.
4. Specify the proposed provider(s) of the above investment product(s). Provide proof that the provider(s) has/have complied with all applicable registration/licensing requirements of the State's Department of Commerce and Consumer Affairs ("**DCCA**").
5. What is the current interest rate/rate of return ("**ROR**") for the interest-bearing account and investment product(s)? Keep in mind that a full return of principal must be guaranteed.
6. How is the interest rate/ROR calculated and what has it been for the past five (5) years for each of the above?
7. Describe how a full return of principal can be guaranteed for each of the above.
8. Indicate whether your proposed monthly fee would change, and by how much, if the STATE requests the CONTRACTOR to set up the interest-bearing/investment product account.

E. Customer References

1. Indicate the number of clients OFFEROR currently performs FSA administration activities for.
2. List the current top ten (i.e., based on the largest number of eligible employees) private sector and the top ten government clients for whom you provide FSA administration services.
 - a. For each, please provide: services provided, the average number of participants, fees charged, type of account used, contract beginning and end dates, contact person, address, telephone and fax number.
 - b. Indicate which clients, if any, are similar in size to the STATE's Plan.
 - c. Indicate the number of clients who have not renewed their contracts with the OFFEROR within the last five (5) years and briefly describe why.
3. Each OFFEROR shall provide a list of at least three (3) governmental clients, for whom the OFFEROR has specifically provided FSA administrative services and who can attest to the OFFEROR's performance.
 - a. Please provide the names, addresses, contact persons, and telephone numbers of these clients.
 - b. If an OFFEROR has less than three (3) governmental clients, please provide the above contact information on the OFFEROR's governmental clients and the appropriate number of private sector clients.
4. By providing the information under this section, the OFFEROR consents to the STATE contacting the OFFEROR's governmental and private sector clients for reference purposes.

F. Partnerships, Joint Ventures, and Subcontractors

1. Each OFFEROR shall identify all partners, joint venturers, and subcontractors that the OFFEROR intends to use in the provisions of services under this RFP.

Note: Once the contract is executed, an OFFEROR shall not subcontract any of the work to be performed under the Contract, change

subcontractors, or assign the contract to any other person or firm without the prior written approval of the STATE.

2. Describe in detail the work to be performed by the OFFEROR's partners, joint venturers, and subcontractors.
3. In your proposal, please provide the information requested in this Part IV. "Offeror's Qualifications" and other applicable sections of this RFP for each of the OFFEROR's partners, joint venturers, or subcontractors.

G. Privacy, Confidentiality and Security

1. An OFFEROR shall keep confidential all information, records, and data collected or obtained in accordance with this RFP and the resulting Contract.
2. The STATE expects the CONTRACTOR to comply with the administrative simplification requirements of the Health Insurance Portability and Accountability Act of 1996, including privacy, security, and electronic transactions. Indicate whether your company is currently in compliance, or, if not, your timetable for compliance.
3. The STATE expects the CONTRACTOR to comply with all other federal and STATE privacy and confidentiality laws, rules, and regulations (including, but not limited to, those pertaining to the disclosure of individual social security numbers).
4. Describe the extent to which internal procedures provide for confidentiality and security of participant records.
5. What safeguards exist for preventing breaches in confidentiality with regard to participant records?
6. Describe the extent to which internal procedures provide for the destruction of records containing personal information.
7. How does your company monitor adherence to security policies and standards?
8. Describe your disaster recovery plan and procedures.
9. Describe your security procedures.

H. Proposed Methods of Performance

1. Describe in detail what assistance the CONTRACTOR expects of the STATE in the areas of program design, implementation, and day-to-day administration. Include the anticipated frequency of assistance.
2. Provide the name of the company, address, telephone number, and name of the official who will coordinate all activities related to the Contract qualifications.
3. Describe the resources the OFFEROR has available for advising the STATE on operation of the Plan.
4. Describe the employee communication strategy your company would utilize in administering the Plan. Describe the types of informational/promotional materials used in similar plans and provide samples.
5. Describe all record-keeping and computer systems capabilities the company has to administer FSAs, and identify those resources that will be utilized in connection with this RFP.
 - a. Describe your company's electronic data processing services and capabilities (i.e., number of staff and whether they are in-house employees or subcontracted). If you use a subcontractor, please identify the subcontractor by name, address, and phone number. Will your Hawaii office have direct on-line data entry and inquiry capabilities?
 - b. Specify the basic record-keeping system to be provided for the Plan, with particular reference to the ability to receive, disburse, control, and ensure timeliness, accuracy, and confidentiality of records. Indicate if this system is owned in-house or subcontracted to another organization.
 - c. Indicate all interfacing that will occur with the STATE. Indicate your ability to interface with the State's internal data processing systems.
6. Describe your capabilities to provide a customer service center. This center should provide an 800-toll-free telephone line to representatives who can advise the participants of information regarding their accounts.
7. Describe in detail the capabilities to provide voice response services that will allow participants to access information for inquiry purposes and/or enroll in/make changes to their elections.
8. Describe in detail the capabilities to provide web-based and/or mobile application services that will allow participants to access information for

inquiry purposes and/or enroll in/make changes to their elections and/or filing for claim reimbursements.

9. Describe in detail your capabilities to provide FSA debit cards that will allow participants the ability to pay for eligible merchandise at the checkout without having to submit a claim for reimbursement.
10. Specify all reports you propose to issue to the participants, the STATE, and governmental agencies. Furnish examples of all reports and indicate the frequency of each.
11. Describe any system limitations you might have regarding the type of services you will be required to administer.

V. COMPENSATION AND PAYMENT OF EXPENSES

- A. The CONTRACTOR shall provide all services required by this RFP at no cost to the STATE. No STATE funds have been or shall be budgeted for the Plan, and no fees shall be paid to the OFFEROR by the STATE.
- B. The CONTRACTOR shall be compensated solely from the monthly fees paid by the Plan's participants.
- C. Should the STATE owe any compensation to the CONTRACTOR for services and investment options provided under the Contract, such compensation shall be subject to: the availability of funds, allotment by the STATE Director of Finance, and accounting procedures and controls, all in accordance with STATE law.

VI. ADMINISTRATIVE PROVISIONS

A. STATE Procurement Code

1. This RFP is issued in accordance with provisions of the STATE's Procurement Code contained in HRS chapter 103D and the administrative rules thereunder.
2. All OFFERORS are charged with presumptive knowledge of all requirements of the cited authorities and State law.
3. The submission of a valid executed proposal by an OFFEROR shall constitute certification and representation of such knowledge on the part of such OFFEROR.

B. Issuing Officer

1. This RFP is issued by the State of Hawaii, Department of Human Resources Development.
2. The individual listed below shall be the point of contact from the date this RFP is issued to the date an OFFEROR is selected to be the CONTRACTOR:

Ms. Doreen Kuroda
Personnel Program Manager
Department of Human Resources Development
Employee Relations Division, Employee Assistance Office
235 South Beretania Street, Room 1004*
Honolulu, HI 96813

* NOTE: Mailing and delivery address for this RFP only. All correspondence and proposal submittals shall be clearly marked "For RFP No. 18-2-FSA."

Telephone: (808) 587-1050
Fax: (808) 587-1107
Email: doreen.j.kuroda@hawaii.gov

C. Procurement Officer

1. The Procurement Officer for the Contract is Mr. James K. Nishimoto, Director of Human Resources Development.

2. The Procurement Officer or his designee shall serve as the STATE's primary liaison with the CONTRACTOR in working with other STATE staff during the term of the Contract. The Procurement Officer or his designee shall provide overall direction during the term of the Contract, and monitor and assess the CONTRACTOR's performance.

D. OFFEROR's Questions on the RFP

1. If an OFFEROR has any question on the provisions of the RFP, the OFFEROR shall submit its question(s) in writing (typewritten) to the Issuing Officer no later than 4:00 p.m. (HST), September 27, 2017. Questions may be sent by facsimile machine to the Issuing Officer, provided they are received by 4:00 p.m. (HST), September 27, 2017. Such documents shall contain pertinent information to identify the RFP No., prospective OFFEROR, OFFEROR's mailing address, telephone, email address, and fax number.
2. The Issuing Officer shall respond in writing to timely submitted written questions received by 4:00 p.m. (HST), September 27, 2017. The Issuing Officer intends to respond by email by October 4, 2017, to all OFFERORS known to have picked up an RFP.

E. OFFEROR's Request to Amend the RFP

1. If an OFFEROR desires to amend a requirement of the RFP, the OFFEROR shall identify the amendment and provide justification for the amendment in writing. A request to amend this RFP shall be submitted to the Issuing Officer by 4:00 p.m. (HST), September 27, 2017.
2. The STATE shall review the request and decide whether to amend the RFP in its sole discretion. Any changes to the RFP shall be made through the issuance of an Addendum to the RFP.

F. STATE Not Responsible for Non-Receipt of Responses by OFFERORS

1. The STATE shall not be responsible whatsoever for any delays or non-receipt of responses to questions or requests to amend the RFP, or Addendums, by the OFFERORS.

G. RFP Amendments

1. The STATE reserves the right to amend this RFP any time prior to the closing date for final receipt of proposals (i.e., prior to 4:00 p.m. (HST), on October 26, 2017).

H. Cancellation of RFP/Rejection of Proposals

1. The STATE reserves the right to cancel the RFP when, in the STATE's sole opinion, such cancellation is in the best interest of the STATE (including but not limited to, if the STATE does not receive a sufficient number of proposals, responsible OFFERORS, or reasonable prices).
2. The STATE may reject proposals, in whole or in part, and waive any defects, when in the STATE's sole opinion, such rejection or waiver will be in the best interest of the STATE.
3. The STATE shall not be liable for any costs, expenses, loss of profits, or damages whatsoever incurred by the OFFEROR in the event this RFP is canceled or a proposal is rejected.
4. Multiple, alternate, or conditional proposals shall not be accepted.

I. Bid Security

1. No bid security is required to be submitted for this RFP, and no performance or payment security shall be required for the resulting Contract.

J. Notice of Award

1. The notice of award, if any, resulting from this RFP shall be posted on the Procurement Reporting System, which is available on the SPO website at: <http://gpcprod.spo.hawaii.gov/spo2/source/>

K. Debriefing

1. Pursuant to Hawaii Administrative Rules (“**HAR**”) section 3-122-60, a debriefing is provided to the non-selected OFFERORS to inform them of the basis for the source selection decision and contract award.
2. A written request for debriefing shall be made within three (3) working days after the posting of the award of the contract. The STATE shall hold the debriefing within seven (7) working days to the extent practicable from the receipt date of the written request.
3. Any protest by a non-selected OFFEROR following debriefing shall be filed in writing with the procurement officer within five working days after the date upon which the debriefing is completed, pursuant to HRS section 103D-303(h).

L. Protest

1. Any protest shall be submitted in writing within five (5) working days after the aggrieved person knows or should have known of the facts giving rise thereto; provided, that a protest based upon the content of the solicitation shall be submitted in writing prior to the date set for receipt offers and a protest of an award or proposed award shall be submitted within five (5) working days after the posting of the award of the Contract.
2. Any protest pursuant to HRS section 103D-701 and HAR section 3-126-3 shall be submitted in writing to the Procurement Officer, Department of Human Resources Development, 235 S. Beretania Street, 14th Floor, Honolulu, HI 96813.

M. Certifications Required Prior to Contract Award

1. Tax Clearance

- a. In accordance with HRS section 103-53 and HRS chapter 103D-328, and HAR section 3-122-112, the CONTRACTOR shall, prior to award, provide valid tax clearance certificates from the State Department of Taxation (“**DOTAX**”) and the IRS.
- b. The tax clearance certificates shall be current within six (6) months of the issuance date.
- c. The CONTRACTOR shall provide an original approved DOTAX “Tax Clearance Application”, Form A-6, for contract execution and for final payment, and shall be subject to the State’s general excise tax and income tax requirements. Forms and additional information are available from the DOTAX as follows:

DOTAX website: <http://tax.hawaii.gov>

DOTAX forms by fax or mail: (808) 587-4242

1-800-222-3229 (toll-free)

2. Certificate of Compliance

- a. In accordance with HRS section 103D-310(c) and HAR section 3-122-112, the CONTRACTOR shall, prior to award, provide a valid “Certificate of Compliance”, Form LIR # 27, issued by the State Department of Labor and Industrial Relations (“**DLIR**”).
- b. The “Certificate of Compliance” shall be current within six (6) months of the issuance date.

- c. The CONTRACTOR shall provide an original approved “Application for Certificate of Compliance with Section 3-122-112, HAR”, Form LIR #27, for contract execution, and shall be subject to the STATE’s unemployment insurance, workers’ compensation, temporary disability insurance, and prepaid health care requirements. Forms and additional information are available from the DLIR as follows:

DLIR website: <http://labor.hawaii.gov/forms>

3. Certificate of Good Standing

- a. In accordance with HRS section 103D-310 and HAR section 3-122-112, the CONTRACTOR shall, prior to award, provide a valid “Certificate of Good Standing” from the Business Registration Division (“**BREG**”) of the State’s Department of Commerce and Consumer Affairs.
- b. The “Certificate of Good Standing” shall be current within six (6) months of the issuance date.
- c. To obtain a “Certificate of Good Standing”, the CONTRACTOR must first be registered with BREG. However, a sole proprietorship is not required to register with BREG and is therefore not required to submit a “Certificate of Good Standing.”
- d. The CONTRACTOR shall provide an original approved “Certificate of Good Standing” for contract execution, and shall be subject to the State’s business registration requirements. Forms and additional information are available from BREG as follows:

BREG’s website: <http://www.cca.hawaii.gov/breg>

BREG forms by fax/mail: (808) 586-2727

4. Certificate of Vendor Compliance

- a. As an alternative to separately applying for the above certificates, the CONTRACTOR may use the State’s Hawaii Compliance Express (“**HCE**”), which provides an electronic proof of compliance registration process allowing those doing business with the State to collectively obtain a tax clearance from the DOTAX, Certificate of Compliance from the DLIR, and a Certificate of Good Standing from BREG. Thus, one certificate, a “Certificate of Vendor Compliance,” may be obtained.

- b. The HCE provides current compliance status as of the issuance date, and shall be accepted for both contracting and final payment purposes.
- c. The “Certificate of Vendor Compliance” is available at the HCE website: <http://vendors.ehawaii.gov>.

5. Certificate Costs

- a. All costs, fees, and expenses of obtaining the above certificates shall be the sole responsibility of the CONTRACTOR, and shall not be reimbursed by the STATE whatsoever.

N. Insurance

1. An OFFEROR shall have and maintain, and comply with, the following insurance requirements:
 - a. State requirements for workers’ compensation, temporary disability, unemployment, and prepaid health care insurance coverage;
 - b. Commercial General Liability insurance coverage – minimum of \$1,000,000 per occurrence for bodily injury and property damage; \$1,000,000 per occurrence for personal injury; and an aggregate limit of \$2,000,000;
 - c. Automobile Liability insurance covering owned, non-owned, leased, and hired vehicles with a minimum of \$1,000,000 for bodily injury for each person; \$1,000,000 for bodily injury for each accident; and \$1,000,000 property damage for each accident; and
 - d. Professional liability insurance coverage covering the CONTRACTOR against claims that may arise as a consequence of errors and omissions in providing services with a minimum of \$ 1,000,000.00 per occurrence/claim;
 - e. The Commercial General Liability and Automobile Liability insurance policies required of the CONTRACTOR shall contain the following clause or similar clauses with the same effect:
 1. “The State of Hawaii is added as an additional insured with respect to operations performed for the State of Hawaii.”
 2. “It is agreed that any insurance maintained by the State of Hawaii shall only apply in excess of, and not contribute with, the insurance provided by this policy.”

- f. A Waiver of Subrogation in favor of the State of Hawaii shall apply to the Commercial General Liability, Automobile Liability, and Workers' Compensation policies.
 - g. The insurance required shall be in full compliance with the Hawaii Insurance Code throughout the entire selection term, including all extended periods if exercised.
 2. The CONTRACTOR agrees to deposit with the STATE, on or before the effective date of the Contract, certificate(s) of insurance necessary to satisfy the STATE that the provisions of the Contract have been complied with, and to keep such insurance in effect and provide the certificate(s) of insurance to the STATE during the entire term of the Contract. Upon request by the STATE, the CONTRACTOR shall furnish a copy of the policy or policies.
 3. Failure of the CONTRACTOR to provide and keep in force such insurance shall constitute a material default under the Contract, entitling the STATE to exercise any or all of the remedies provided in the Contract (including without limitation terminating the Contract).
 4. The procuring of any required policy or policies of insurance shall not be construed to limit the CONTRACTOR's liability hereunder, or to fulfill the indemnification provisions of the Contract.
 5. Notwithstanding said policy or policies of insurance, the CONTRACTOR shall be responsible for the full and total amount of any damage, injury, or loss caused by the CONTRACTOR's negligence or neglect in the provision of services under the Contract.
 6. The provisions of paragraph N1 shall survive the expiration or earlier termination of the Contract for a period of ten years.
- O. American with Disabilities Act of 1990
 1. The CONTRACTOR shall comply with the American with Disabilities Act of 1990, as amended ("**ADA**"), in the provision of services under this RFP and the Contract, at no cost to the STATE.
- P. Health Insurance Portability and Accountability Act of 1996
 1. The CONTRACTOR shall comply with the Health Insurance Portability and Accountability Act of 1996, as amended ("**HIPAA**"), in the provision of services under this RFP and the Contract, at no cost to the STATE.

2. The CONTRACTOR shall defend and indemnify the STATE from all inquiries, claims, actions, proceedings, damages, penalties, attorney fees, costs, and expenses that arise from the CONTRACTOR's failure to implement all applicable HIPAA provisions on behalf of the STATE.

Q. Confidentiality of Information

1. The CONTRACTOR shall agree that all information, records and data collected in accordance with this Contract shall be protected from unauthorized disclosure. Subject to applicable laws, the CONTRACTOR shall guard the confidentiality of participant information, including but not limited to social security numbers.
2. Access to participant identifying information shall be restricted by the CONTRACTOR to persons or agencies who require the information in order to perform their duties in accordance with the Contract.

R. Social Security Numbers

1. Section 7 of the Federal Privacy Act, P.L. 93-579, 88 Stat. 1909 (December 31, 1974), provides that it shall be unlawful for any federal, state, or local government agency to deny to any individual any right, benefit or privilege provided by law because of such individual's refusal to disclose his or her social security number.
2. The CONTRACTOR shall be prepared to perform all of its obligations under the Contract with respect to any person eligible to participate in the Plan that refuses to disclose his or her social security number.

S. Quiet Period

1. OFFERORS or their agents, officers, principals, and employees shall not engage in any written or verbal communication with the STATE, except for the Issuing Officer, during the procurement and selection process. The process ends at the time the Contract is executed, unless otherwise requested by the STATE.
2. OFFERORS shall not engage in any lobbying efforts, or other attempts to influence the STATE in an effort to be selected.
3. Any violation of this paragraph S. may constitute grounds to reject a proposal.

VII. PROPOSAL SUBMISSION AND REQUIREMENTS

A. Letter of Intent to Submit a Proposal

1. An OFFEROR interested in submitting a proposal is requested to submit a non-binding “Letter of Intent to Submit a Proposal” (see, Appendix “A”) to the Issuing Officer on the date and time identified in the “Procurement Timetable” (e.g., October 12, 2017 4:00 p.m. (HST),
 - a. The “Letter of Intent to Submit a Proposal” may be sent to the Issuing Officer by mail, email, or fax.
 - b. Although the “Letter of Intent to Submit a Proposal” is not mandatory (and the failure to submit it will not preclude an OFFEROR from submitting a proposal), only those OFFERORS who have submitted a “Letter of Intent to Submit a Proposal” shall receive official communications from the STATE.

B. Submission of Proposals

1. To be considered responsive, an OFFEROR’s proposal and supporting documentation must be for all items specified in this RFP (and any subsequent Addendum). Any proposal offering any other set of terms and conditions contradictory to those included herein (or in any subsequent Addendum) may be rejected without further consideration.
2. An OFFEROR must complete the “Standard Proposal Letter” in Appendix “B,” and identify the name and telephone number of a person who may be contacted during the evaluation process to discuss the proposal.
 - a. By signing the “Standard Proposal Letter,” the OFFEROR agrees to comply with the requirements of this RFP, and all applicable federal and STATE laws.
 - b. The “Standard Proposal Letter” must be signed by an officer (an original signature is required) who has authority to bind the OFFEROR, and evidence of that authority must be attached and the corporate seal, if any, affixed to the “Standard Proposal Letter.”
3. An OFFEROR shall prepare and submit a proposal that fully describes the services, time frame, and fees that the OFFEROR proposes in response to this RFP. An OFFEROR shall describe how its proposal meets the STATE’s requirements on a point-by-point basis as itemized in Part III “SCOPE OF WORK” and Part IV “OFFEROR’S QUALIFICATIONS AND EXPERIENCE,” and other applicable provisions in this RFP. The description shall be in sufficient detail to enable the STATE to evaluate the

services offered. This is in addition to any brochures or printed materials that may be submitted with this RFP.

- a. The following format shall be used when responding to requirements of this RFP:
 1. Identify the relevant section number and heading;
 2. Repeat the relevant request, condition, or term; and
 3. Provide the response to the matter as appropriate.
 - b. Any supplemental information thought to be relevant, but not applicable to the specified categories, should be provided as an appendix to the proposal.
 - c. All proposal responses must be in accordance with the terms and conditions stated herein. Descriptions may be submitted on additional sheets not provided for in this RFP.
 - d. The OFFEROR shall submit a written proposal in a method as described in this section, Paragraph 9 (below). In addition, the OFFEROR shall submit separate written and electronic (i.e., Microsoft Word on a CD or flash drive) proposals that include the OFFEROR's Executive Summary described below and all exhibits and forms in the proposal
4. An OFFEROR shall complete the "WAGE CERTIFICATION" form in Appendix "C" and submit it with its proposal.
 5. An OFFEROR is required to submit its proposal using the OFFEROR's exact legal name, as registered in the state in which it is incorporated. Failure to do so may delay proper execution of the Contract. The original proposal response must also contain original signatures, and facsimiles shall not be accepted.
 6. All materials submitted shall become the property of the STATE, unless otherwise noted, and shall not be returned.
 7. The STATE reserves the right to hold all proposals received for a period of ninety (90) days from the date of the proposal opening, during which time they shall be irrevocable, unless otherwise required by law.
 8. Proposals shall be mailed or delivered to the Issuing Officer at the address specified in this RFP. Proposals must be received and time-stamped by the Issuing Officer **no later than 4:00 p.m. (HST), October 26, 2017.**

- a. Any proposal received after that date and time shall be rejected. Faxed or e-mailed proposals shall not be accepted or considered for award.
 - b. The outside cover of the package containing the proposal shall be marked:

“Proposal Submitted in Response to RFP NO. 18-2-FSA for a Third Party Administrator for the State of Hawaii, ***Island Flex*** Flexible Spending Accounts Plan (Name, address, and fax number of Offeror)”
 - c. All proposals shall be typewritten or mechanically printed on 8-1/2” x 11” paper and in electronic format (i.e., on a flash drive or CD).
9. Each qualified OFFEROR shall submit:
- a. One (1) single-sided unbound original of the proposal and four (4) copies (for a total of five (5)) concurrently. Proposals shall be time-stamped upon receipt and shall not be opened publicly.
 - b. Five (5) copies of the proposal (including all exhibits, attachments and Executive Summary) in electronic format (i.e., CD or flash drive).
 - c. A total of ten (10) proposals that consist of five (5) proposals in paper format and five (5) proposals in electronic format.
 - d. Ten (10) copies of the Executive Summary as specified in IV.A.1 (OFFEROR’s Qualifications section).
10. An OFFEROR may modify or withdraw their proposal by making a request in writing before the proposal submittal deadline (i.e., prior to 4:00 p.m. (HST) October 26, 2017).
11. Trade Secrets/Proprietary Data
- a. If an OFFEROR considers any part of a proposal a trade secret or proprietary data, the OFFEROR must clearly designate that portion as confidential in order to obtain any protection from disclosure that may be available under HAR section 3-122-58, and HRS chapter 92F. Simply marking a section “confidential” shall not ensure protection. Each sheet of such information must be marked with the following: “This data constitutes a trade secret or proprietary data under HAR section 3-122-58, and/or HRS chapter 92F.”

Materials shall be readily separable from the proposal in order to facilitate inspection of the non-confidential portion of the proposal.

- b. An OFFEROR shall submit reasons why the marked material constitutes a trade secret or proprietary data under the applicable section or chapter, and attach such justification with the proposal; provided that the OFFEROR's pricing information for this RFP shall be open to public inspection and shall not be regarded as confidential.
- c. In accordance with Section 3-122-58, HAR, if a person requests to inspect the portion of an OFFEROR's proposal designated as confidential, the head of the purchasing agency or designee shall consult with the Attorney General, who shall make a written determination as to confidentiality. If the request for confidentiality is denied, such information shall be disclosed as public information, unless the person appeals the denial to the Office of Information Practices in accordance with Section 92F-42(12), HRS.

12. Cost of Proposal Preparation

- a. Any and all costs incurred by an OFFEROR in preparing or submitting a proposal, or making a presentation to the STATE shall be the OFFEROR's sole responsibility, and shall not be reimbursed by the STATE or Plan whatsoever.

VIII. PROPOSAL EVALUATION AND SELECTION

A. Introduction

1. Only those proposals that substantially meet all of the terms, conditions, and requirements specified in this RFP shall be considered. All other proposals shall be considered non-responsive and shall be eliminated from the evaluation and selection process.
2. The STATE is committed to a fair and impartial evaluation of all proposals received.

B. Evaluation Criteria

| <u>Criteria</u> | <u>Maximum Points</u> |
|---|-----------------------|
| 1. OFFEROR's Experience/Performance History and Customer References <ol style="list-style-type: none"> a. OFFEROR's current and previous experience administering FSAs similar to that being proposed in this RFP. b. Number and size (in terms of total number of participants eligible to participate in FSAs) of current clients. c. Clients' satisfaction with OFFEROR's services. | 40 |
| 2. Administrative Capability and Service <ol style="list-style-type: none"> a. The knowledge, ability, and willingness of the OFFEROR to substantially fulfill all requirements of the RFP for the duration of the Contract. b. Accounting/recordkeeping/reporting – Capability of the OFFEROR to maintain accurate participant records, provide participants with detailed statements, promptly/accurately process reimbursement checks, and promptly correct errors. c. Expertise and qualifications of OFFEROR's personnel. | 30 |

| | | |
|-------|--|-----|
| d. | The ability of the OFFEROR to effectively service participants. | |
| 3. | Proposed Monthly Fee | 25 |
| a. | The monthly fee(s) which will be charged to each participant. | |
| 4. | Interest-Bearing Account/Investment Product and Rate of Return | 5 |
| a. | Type of interest-bearing account/ investment product in which OFFEROR proposes to deposit participants' money, proposed provider, risk involved, past performance, and rate of return. | |
| TOTAL | | 100 |

C. Evaluation Committee

1. An Evaluation Committee comprised of up to three (3) members designated by the Procurement Officer shall review and evaluate all proposals submitted by the deadline specified in this RFP. The evaluation shall be based solely on the evaluation criteria set out in this RFP.

D. Evaluation Process

The evaluation of proposals shall be conducted in six (6) phases:

1. Phase 1 – Initial Classification of Proposals

Proposals shall be classified initially as “acceptable,” “potentially acceptable,” or “unacceptable.” All responsive, responsible OFFERORS who submit “acceptable” or “potentially acceptable” proposals shall be eligible for the priority list in Phase 2.

The purpose of this phase is to determine whether an OFFEROR’s proposal is sufficiently responsive to the RFP to permit a complete evaluation. OFFERORS must submit the “Standard Proposal Letter,” and a proposal that addresses all of the requirements specified in this RFP and is in the format specified in this RFP. Failure to meet these requirements shall be grounds to deem the proposal “unacceptable.”

2. Phase 2 – Establishment of Priority-Listed Offerors

If there are more than three (3) “acceptable” or “potentially acceptable” proposals, the Evaluation Committee shall evaluate the proposals under the evaluation criteria above, rank the proposals, and limit the priority list to at least three (3) responsive, responsible OFFERORS who submitted the highest-ranked proposals. Those responsive, responsible OFFERORS who are selected for the priority list shall be referred to as the “Priority-Listed Offerors.”

3. Phase 3 – Interviews with Priority-Listed Offerors

During this phase, the STATE may (in its sole discretion) conduct interviews only with Priority-Listed Offerors during the time period designated in the “Procurement Timetable” (i.e., [Insert Date/Time])

The STATE may require oral presentations from the Priority-Listed Offerors to ensure a thorough, mutual understanding of each proposal. The STATE shall schedule the time and location for these presentations during the time frame in the “Procurement Timetable” or as required by the Evaluation Committee. Any Priority-Listed Offeror who is requested to make a presentation but fails to make the presentation on the scheduled date to the Evaluation Committee shall not be considered for the final award. Any and all costs incurred by an OFFEROR in making the presentation shall be the OFFEROR’s sole responsibility and shall not be reimbursed by the STATE whatsoever.

4. Phase 4 – Submission of Best and Final Offers

To the extent that there is flexibility in pricing for the administrative fees proposed, Priority-Listed Offerors shall submit their best and final offers by 4:00 p.m. (HST), December 11, 2017. Best and final offers shall be submitted only once unless it is determined in writing by the Procurement Officer to be in the best interest of the STATE to conduct additional discussions, or change the STATE’s requirements by an addendum distributed only to Priority-Listed Offerors, and require another submission of best and final offers.

Priority-Listed Offerors that do not submit a best and final offer shall have their immediate previous proposal considered their best and final offer.

5. Phase 5 – Final Evaluation of Proposals

During this phase, the Evaluation Committee may conduct final evaluations of the Priority-Listed Offeror’s best and final offers submitted by the OFFERORS. If best and final offers are not required, the Evaluation Committee shall conduct final evaluations of the proposals received. Final evaluations may include interviews with the finalists to

clarify any further information on each proposal. The STATE may schedule the interviews by telephone during the time frame in the “Procurement Timetable” or as required by the Evaluation Committee.

6. Phase 6 – Recommendation for Award

The Evaluation Committee shall prepare a short report summarizing its findings and rankings, and shall make the final selection of the CONTRACTOR.

E. Contract Period

1. The successful OFFEROR shall enter into a Contract for a period commencing on or about July 1, 2018 and ending on or about June 30, 2023 (i.e., for approximately five (5) years).
 - a. The effective date for the provision of services under this RFP shall be July 1, 2018. The successful OFFEROR should be aware that the STATE shall require services under the Contract prior to July 1, 2018 to ensure the proper transfer of FSA operations from the current TPA to the successful OFFEROR (e.g., conducting Open Enrollment activities).
 - b. The end date of June 30, 2023, shall include services to be provided until the end of the ninety (90) day run-out period (i.e., to September 30, 2023).
2. Thereafter, the Contract may be extended for up to five (5) twelve-month extensions, by written mutual consent.
3. Either party may elect not to extend the Contract on the expiration or extension date of the Contract; provided that the party electing not to extend must notify the other party in writing at least one hundred and eighty (180) days prior to the expiration or extension date. No fees, charges, penalties, costs, etc. shall be assessed against the STATE or its employees in the event the Contract expires, is terminated, or is not extended/renewed.

F. Contract Execution

1. The successful OFFEROR shall be required to enter into a formal written Contract in accordance with the laws, rules and regulations of the STATE. It is anticipated that the Contract will be executed within ninety (90) calendar days from the date of notification of the award.

2. The Contractor must agree, at a minimum, in its Contract with the STATE to represent, covenant, and warrant, among other things, the following:
 - a. Litigation. The CONTRACTOR, its officers, directors, stockholders, agents, or employees are not subject to any present litigation or administrative proceeding before any court or administrative body that would have a material adverse affect on the CONTRACTOR's ability to perform under the Contract. To the best knowledge of the CONTRACTOR, no such litigation or proceeding is presently threatened against it or any of the foregoing persons.
 - b. No Conflicts. The CONTRACTOR, its officers, directors, stockholders, agents, employees, or subcontractors have no conflict of interest that impairs the CONTRACTOR's ability to fully perform the duties and responsibilities under the Contract.
 - c. Indemnification. The CONTRACTOR shall indemnify and hold harmless the STATE and its employees from any and all claims, demands, lawsuits, actions, damages, costs, and expenses, including attorney fees, arising out of or in connection with the performance of the CONTRACTOR's services under the Contract, including acts or omissions of the CONTRACTOR, its officers, directors, stockholders, agents, or employees.
 - d. In no event shall the CONTRACTOR at any time and on any basis assert a claim or claims against the STATE or any of its staff members. To that end, the CONTRACTOR shall release the individual staff members from any claims or causes of action arising from or related in any manner to the relationship between the STATE and the CONTRACTOR created under the Contract.
 - e. Prohibited Solicitation. The CONTRACTOR shall not at any time contact any employee for the purpose of soliciting business unrelated to the Plan or use or permit the use of information in its possession for solicitation of any business with employees unrelated to the Plan, except as specified in this RFP.
 - f. Prohibited Ownership. The Contract shall not permit any employee or officer of the STATE to gain a share of this Contract or to benefit directly therefrom because of substantial financial interest in the Contract or CONTRACTOR, including its affiliates and subcontractors.
 - g. Contractor as Employer. The CONTRACTOR shall comply with all applicable federal and State laws governing employment and shall require all subcontractors to comply with such laws.

1. All services offered shall be in conformance with the parameters of the Plan. Any work that extends beyond the scope of this RFP must be approved by the STATE.
 2. The CONTRACTOR, its officers, directors, stockholders, agents, employees, and subcontractors, shall not act or be considered as employees of the STATE nor be entitled to any benefits or privileges accorded to public employees. The status of the CONTRACTOR with respect to the Contract shall be one of an independent contractor.
 3. Discrimination. The CONTRACTOR shall not discriminate against any employee who is employed in the work covered by the Contract, or against any applicant for such employment, because of race, religion, color, sex, age, marital status, sexual orientation, or national origin, or any other category protected by State and federal laws. This provision shall include, but not be limited to the following: employment, upgrading, demotion, transfer, recruitment, recruitment advertising, layoff, termination, rate of pay or other forms of compensation, and selection for training, including apprenticeship. The CONTRACTOR must insert similar provisions in all subcontracts for services covered by the Contract.
 4. The CONTRACTOR shall remove persons from work relating to the Plan if they are incompetent, careless, insubordinate, unsuitable, or otherwise unacceptable or if their continued employment is contrary to the best interest of the STATE and its employees.
 5. The CONTRACTOR shall inform the STATE of changes in its key personnel or those of a subcontractor involved in the administration of the Plan.
- h. Subcontracting and assignment. The CONTRACTOR shall not subcontract any of the work to be performed under the Contract nor shall the CONTRACTOR assign the Contract to any other person or firm without prior written approval from the STATE and no subcontract or assignment made without such approval will be recognized.
1. No subcontract or assignment shall, under any circumstances, relieve the CONTRACTOR of CONTRACTOR's obligation and liability under the Contract

with the STATE. All persons engaged in performing the work covered by the Contract shall be considered as employees of the CONTRACTOR and the CONTRACTOR shall be responsible for any acts or omissions of its subcontractors or assignees.

3. The STATE intends to use the “State of Hawaii Contract for Goods or Services Based Upon Competitive Sealed Proposals,” and the “General Conditions” in Appendix “D”; provided that the following termination provisions shall also apply:
 - a. “The STATE may terminate the Contract immediately, if:
 1. The CONTRACTOR fails to comply with any applicable State or federal licensing requirement(s) necessary to provide the services under the Contract;
 2. The Plan is discontinued by the STATE, or is disallowed by operation of any STATE or federal law or court order;
 3. The award of the Contract to the CONTRACTOR or the Contract itself is deemed invalid by any court or administrative tribunal;
 - b. Except as otherwise provided in the Contract, if the STATE is dissatisfied with the performance of the CONTRACTOR (or any of its subcontractors), the CONTRACTOR fails to perform its obligations under this Agreement, or the CONTRACTOR otherwise breaches the provisions of the Contract:
 1. The STATE shall immediately notify the CONTRACTOR in writing of the STATE’s dissatisfaction, or that the CONTRACTOR has failed to perform or is in breach;
 2. The CONTRACTOR shall have thirty (30) calendar days from receipt of the notification to cure the problem to the satisfaction of the STATE;
 3. During the thirty (30) day period, the CONTRACTOR shall continue to comply with the requirements of the Contract;
 4. If the CONTRACTOR fails to cure the problem within the thirty (30) day period, the STATE may terminate the Contract immediately thereafter; and

5. If at any time after notification, the CONTRACTOR refuses to cure the problem, the STATE may terminate this Agreement within thirty (30) calendar days after such refusal.
- c. Upon termination, expiration, or non-renewal of the Contract:
1. The STATE, Plan, and Plan participants shall not be liable to the CONTRACTOR (or its approved subcontractors) for any costs, expenses, loss of profits, or damages whatsoever incurred by the CONTRACTOR (or its approved subcontractors) in the performance of services required under the Contract;
 2. The STATE shall have the right to secure services in the open market, or from the next OFFEROR whose proposal is deemed most advantageous to the STATE; and
 3. The CONTRACTOR shall be required to assist with and fully cooperate with the STATE in transitioning the Plan to another company at no cost to the STATE, the Plan, or the Plan's participants.
- d. Additional rights and remedies
1. The rights and remedies provided in this section are in addition to any other rights and remedies provided by law or under the Contract.”

APPENDIX “A”

LETTER OF INTENT TO SUBMIT A PROPOSAL

Mr. James K. Nishimoto
Director
Department of Human Resources Development
235 S. Beretania Street, #1004
Honolulu, HI 96813

Fax: (808) 587-1107

Dear Mr. Nishimoto:

Re: Request for Proposal No. 18-2-FSA: Competitive Sealed Proposals for a Third Party Administrator for the State of Hawaii *Island Flex* Flexible Spending Accounts Plan

This is to acknowledge that we have reviewed the above-referenced Request for Proposal and intend to submit a proposal.

Name of Company: _____

Address: _____

Contact Person: _____

Title: _____

Telephone Number: _____ Fax Number: _____

The undersigned understands and agrees that:

1. The State of Hawaii (“State”) reserves the right to cancel the RFP when, in the State’s opinion, such cancellation is in the best interest of the State.
2. The State may reject Proposals, in whole or in part, and waive any defects, when in the State’s opinion, such rejection or waiver will be in the best interest of the State.

3. The State shall not be liable for any costs, expenses, loss of profits, or damages whatsoever incurred by the Offerors in the event this RFP is canceled or a proposal is rejected.

Very truly yours,

Name

Title

Date

APPENDIX “B”

STANDARD PROPOSAL LETTER

Mr. James K. Nishimoto
Director
Department of Human Resources Development
235 S. Beretania Street, #1004
Honolulu, HI 96813

Fax: (808) 587-1107

Dear Mr. Nishimoto:

RE: Request for Proposal No. 18-2-FSA: Competitive Sealed Proposals for a Third Party Administrator for the State of Hawaii **Island Flex** Flexible Spending Accounts Plan

The undersigned Offeror hereby submits a proposal in response to RFP No. 18-2-FSA for a Third Party Administrator for the State of Hawaii (“State”) **Island Flex** Flexible Spending Accounts Plan.

The undersigned Offeror understands and agrees that:

1. All services shall be provided in accordance with the RFP, and applicable federal and State laws and rules.
2. The State reserves the right to cancel the RFP when, in the State’s opinion, such cancellation is in the best interest of the State.
3. The State may reject Proposals, in whole or in part, and waive any defects, when in the State’s opinion, such rejection or waiver will be in the best interest of the State.
4. The State shall not be liable for any costs, expenses, loss of profits, or damages whatsoever incurred by the Offerors in the event this RFP is canceled or a proposal is rejected.

The undersigned Offeror shall answer the following with a “YES” or “NO”:

1. The Offeror has read, understands, and agrees to comply with all specified requirements of the RFP. _____

2. The Offeror has read, understands, and agrees to comply with all applicable federal and State laws in the provision of services under the RFP. _____

3. The Offeror is authorized to transact business in the State of Hawaii. _____

This "Standard Proposal Letter" must be (a) signed by an individual or individuals authorized to legally bind the Offeror, (b) dated, and (c) affixed with the corporate seal, if any. If the Offeror is a corporation, evidence in the form of a certified copy of a corporate resolution, or certified copy of articles of incorporation or bylaws, shall be submitted showing the individual's authority to bind the corporation. If the Offeror is a partnership or joint venture, each member of the partnership or joint venture must sign this letter, or evidence (in the form of a partnership contractor joint venture agreement) must be submitted showing that the individuals signing the proposal letter have the authority to bind the partnership or the joint venture.

Very truly yours,

Authorized Officer*

Date

Name of Company: _____

Address: _____

Telephone Number: _____ Fax Number: _____

Offeror is:

- Sole Proprietor Partnership Corporation Joint Venture LLC
- Other _____

Federal Tax I.D. No.: _____

Hawaii General Excise Tax Number: _____

* Please attach to this page notarized evidence of the authority of this officer to submit this proposal.

(affix Corporate Seal here)

APPENDIX “C”

WAGE CERTIFICATION

**PROPOSAL FOR A “THIRD PARTY ADMINISTRATOR FOR THE STATE OF HAWAII
ISLAND FLEX FLEXIBLE SPENDING ACCOUNTS PLAN”**

To the extent that Hawaii Revised Statutes section 103-55 applies, I hereby certify that if awarded the Contract, the services to be rendered shall be performed under the following conditions:

1. The services to be rendered shall be performed by employees paid at wages or salaries not less than wages paid to public officers and employees for similar work, if similar positions are listed in the classification plan of the State of Hawaii (“State”) government.
2. All applicable laws of the federal and State governments, including but not limited to workers’ compensation, unemployment insurance, payment of wages, and safety, shall be fully complied with.

I understand that all payments required by federal and State laws to be made by employers for the benefit of their employees are to be paid in addition to the base wages required by Hawaii Revised Statutes §103-55.

Name of Company: _____

Signature: _____

Title: _____

Date: _____

APPENDIX “D”

STATE OF HAWAII GENERAL CONDITIONS

SEE GENERAL CONDITIONS