

SOLE SOURCE PROCUREMENT CHECKLIST

Department: Treasury

Contractor: Ascensus

Agency Purchase Requisition No. _____

A) Reason(s) for Sole Source Procurement:

- Only a single contractor is capable of providing the service.
 - Only known source; similar services/commodities are not available from another contractor.
 - Service must be compatible with existing equipment.
- A federal or state statute or federal regulation exempts the service from the competitive procedure and there is appropriate justification to do so.
- It is clearly not feasible to award the contract for services on a competitive basis.
- The services are to be provided by attorneys or litigation consultants selected by the Department.
- The services are to be provided by expert witnesses.
- The services involve the repair, modification or calibration of equipment, and they are to be performed by the manufacturer of the equipment or by the manufacturer's authorized dealer, provided the contracting officer determines that bidding is not appropriate under the circumstances.
- The contract is for financial or investment experts to be used and selected by the Department.
- The contract for services is in the best interest of the Commonwealth.

B) Briefly describe the supply or service item you are requesting and its function

Ascensus College Savings Recordkeeping Services, LLC (Ascensus) currently provides and will continue to provide recordkeeping services for the PA 529 Guaranteed Savings Plan (GSP) and recordkeeping for the PA 529 Investment Plan (IP). The Pennsylvania GSP is virtually unique as it allows account owners to make contributions that keep pace with tuition inflation, subject to limitations. The participants save at one of a number of tuition levels and the value of each account must be calculated based on those levels. If an account owner subsequently selects a different tuition level, the system re-calculates each contribution as if it were originally made at the new tuition level. To provide these services for the GSP, Ascensus created and provided Treasury a computer platform that allows for the GSP calculations described above. Further, Ascensus provides recordkeeping services for Investment Plan participants. In the IP, account owners have the right to choose their own investment portfolio and the system keeps track of that election as well as contributions, interest the account earned, etc.

- C) Describe the unique features/compatibility of the supply, service or construction item that precludes competitive procurement.

Ascensus created a recordkeeping platform specifically to accommodate the unique nature and requirements of the GSP. There is no other platform in existence that is able to adequately manage the GSP's distinctive elements, specifically the tuition credits calculation. As such, another vendor would have to spend significant resources and time to gain a sufficient understanding of the GSP, scoping its recordkeeping requirements, building the platform, and transitioning data. At the very least, this would result in a "freeze" period during which all account activity would be prohibited while the data is transferred to the new platform. As with any such transition, there exists a significant risk of data loss or corruption. Finally, the cost of creating the platform and transition have the potential to result in a significant development expenses that would be borne by the customer. To get through a transition, Treasury would also potentially have to purchase the current platform at a cost of between \$3.5 to \$5 million dollars.

- D) What research has been done to verify the contractor as the only known source?

Based on Treasury's past experience, the current requirements we impose on our recordkeeper, and the nature of the relationship between Ascensus and Vanguard attested to by the parties, and the provisions in the new contract, contained in the attachment, we are confident that sole source procurement is in the best interest of the Commonwealth as well as the GSP and IP account owners. Further, Ascensus is the only company that has a platform which is currently configured to deal with the record requirements of both the IP and GSP as discussed above.

- E) Does the contractor have any distributors, dealers, resellers, etc., that sell the supply, service, or construction item?

No.

- F) Must this supply, service or construction item be compatible with present inventory/equipment or in compliance with a manufacturer's warranty or existing service agreement? If yes, please explain.

No.

- G) If this is an initial procurement, what are the future consequences of the procurement? That is, once this procurement is approved and processed, what additional upgrades/additions/supplies/services/construction, etc., are anticipated/projected over the useful life of this item?

N/A.

- G) If this is an upgrade/addition/alteration, etc., to an existing service? How was the original service procured (sole source or competitive)? What additional, related, sole source procurements have occurred since the initial procurement? Please identify the previous purchase order or contract number(s).

The original service was procured via the RFP process. However, that process was initiated due to the fact that the then-current vendor, Delaware Investments (Delaware), was leaving the 529 business and, as such, was no longer interested in providing services to the Program. Additionally, at that time the GSP recordkeeping platform had been created and maintained by Treasury. By the time that Delaware had informed Treasury of its intentions, this platform had received very little maintenance and/or updates and many of its original functions had ceased to operate as intended. Furthermore, the IP recordkeeping platform was separate and distinct from the GSP platform, and was maintained by Delaware. The two systems were in no way interconnected which resulted in inefficiency and confusion for both account owners and Treasury personnel who utilized the systems.

As set forth above, since it has begun providing recordkeeping services for the GSP and IP, it has designed and built a recordkeeping platform specifically tailored to accommodate the unique elements of the PA GSP and integrated our IP requirements.

It should be noted that the current contract was extended for an additional term via sole source procurement.

H) How has this service been procured in the past? (Competitive sealed bidding, competitive sealed proposals, sole source, other). Please provide document numbers.

Via competitive sealed bidding. However, as discussed above, prior to contracting with Ascensus, the GSP recordkeeping platform was maintained by Treasury while a separate IP platform was maintained by Delaware.

J) What are the consequences of not procuring this specific supply or service item?

The GSP and IP cannot function without a recordkeeper. The recordkeeper is expected to provide the computer platform that not only maintains the records of all accounts including but not limited to: account owner and beneficiary information, GSP tuition level election - which includes the calculation and re-calculation of account value based upon that credit level as it changes- tracking contributions, interest earned, withdrawals, all documentation, etc.. In the IP, it tracks the owner and beneficiary information, election of investment portfolio and changes thereto, and interest earned, overall account value, withdrawals, etc. All this information is necessary in order for Treasury to run both plans and if we do not have a recordkeeper tracking this information then Treasury cannot perform its statutory duty under 24 P.S. § 6901.301 et seq.

K) How long has the agency known that the supply or service was needed, and why wasn't the contract process started earlier?

The rationale for sole source procurement is not a function of timing but rather the facts that a) Ascensus has built and maintains a recordkeeping platform that accounts for the unique nature of the GSP and b) the inextricable interconnectivity between Ascensus' and Vanguard's systems.

L) If timing is a factor, who established the time frame and why?

The current contract expires on May 31, 2018.

M) What are the consequences of not procuring this specific service within the established time frame?

See Question J, above.

N) List any other information relevant to the acquisition of this service.

John Stevens-Bureau of Savings Programs
Name of person completing the justification (Requesting Bureau/Office)

Director
Title

Date: 1/11/18 Phone No. 717-772-5000

Signature of Approving Authority:

Comptroller/Designee

Agency Head or Designee

All sole source procurements are to be submitted to the Bureau of Support Services, and approved by the Comptroller and Deputy State Treasurer for Law and Administration.

If an item is not applicable, indicate that it is not applicable.