

**STATE OF NEW JERSEY
DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET
REQUEST FOR INFORMATION**

Background

The Office of Management and Budget (OMB), Department of the Treasury, administers the State of New Jersey's payroll program. In connection with the program, OMB allows employees to direct payroll deductions to pay insurance premiums to a third party administrator. State statutes (N.J.S.A. 52:14-15-9a) authorize the deduction, which is offered solely as a convenience to employees who wish to use the option to pay insurance premiums.

The payroll deduction and payment service has been in place for over 20 years and has never been updated. The service is limited to one company. The deduction and payment rely very heavily on manual processes – data entry, verification and error processes, which are all very cumbersome. See Attachment 1 for an overview of the task flow for the current service program.

Objectives

OMB now seeks to upgrade the optional deduction and payment service by:

- Enhancing the system interface between the State and an industry-qualified third party administrator;
- Expanding the deduction option, through future competitive bidding, to allow a second third party administrator to work with an unlimited number of qualified insurance companies and/or brokers to participate in the payroll deduction program;
- Implementing controls that ensure only allowable deductions are taken – specifically, allowing deductions only for the payment of insurance premiums written on a group plan of accident and sickness insurance, or property or liability insurance, or for any hospital service plan and medical-surgical plan (N.J.S.A. 52:14-15-9a);
- Instituting a process to verify payment amounts disbursed to the selected third party administrator are in compliance with the statutorily-defined deduction limitations; and
- Establishing an electronic payment channel for the selected third party administrator.
- Instituting a cost neutral funding model

In order to achieve the objectives above, the State requires information from companies engaged in insurance and aligned market spaces. Specifically, the State needs to assess how best to address the service requirements outlined below in the most effective and efficient manner possible.

OPRA Rider

Information provided in response to this Request for Information can be released to the public under the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 et seq., (OPRA) or the common law right to know. All information submitted in response to this Request for Information is considered public information, notwithstanding any disclaimers to the contrary

submitted by a bidder, except as may be exempted from public disclosure by OPRA and the common law.

Any proprietary and/or confidential information which you provide will be redacted by the State. A person responding to this Request for Information may designate specific information as not subject to disclosure pursuant to the exceptions to OPRA found at N.J.S.A. 47:1A-1.1, when such person has a good faith legal and or factual basis for such assertion. The State reserves the right to make the determination as to what is proprietary or confidential, and will advise the responding person accordingly. The location in the response to this Request for Information of any such designation should be clearly stated in a cover letter. The State will not honor any attempt by a respondent to designate all materials submitted in a response to this Request for Information as proprietary, confidential and/or to claim copyright protection for such materials. In the event of any challenge to an assertion of confidentiality with which the State does not concur, the person responding to this Request for Information shall be solely responsible for defending its designation by submitting a response to this Request for Information, the responding person waives any claims of copyright protection set forth within any materials submitted in the response.

Service Requirements

The new deduction and payment service must address the following functional scope, technical elements, confidentiality/security provisions and funding model considerations.

Functional Scope

1. Bi-weekly transmittal of employee files – On a bi-weekly basis, the third party administrator must transmit employee files to the State’s Office of Information Technology (OIT) via a secure bulk transmission channel. Generally, the transmission will occur on the Monday of the State’s supplemental pay week and factor in State government holidays (actual schedule will be communicated by OMB). The files must contain:
 - a. Third party administrator name
 - b. Third party administrator ID
 - c. Additions of new employees with deduction amounts
 - d. Deletions
 - e. Bi-weekly deduction amount changes
 - f. Valid Payroll Number (Valid are 008-899)
 - g. Existing employee information (ID number, name, and biweekly deduction amount)
2. Automated validation process – Establish a process that enables validation of third party administrator files against State information and automatically notifies the third party administrator of any errors or discrepancies, which are corrected or deleted as appropriate. The third party administrator must automatically send any corrections no later than Wednesday of a supplemental week or as deemed on schedule per the

timeframes communicated by OMB. The third party administrator may **not** transmit employees on this file who are not paid by the State's payroll program.

3. Automated synchronization and refresh file process – The third party administrator must work with the State to keep employee files synchronized and up to date through a monthly refresh process. This process must be developed with input from the third party administrator and OMB.
4. Accept Automated Clearing House payments - Once a regular payroll is processed, OMB will send an ACH payment to the third party administrator. The third party administrator must be able to accept ACH payments.
5. Handle deduction amounts up to specified ceiling – The third party administrator must be able to process deduction up to \$9,999.99 (field specification = 9999.99).
6. Automated file preparation – The third party administrator must be able to pull detail employee data on completed payroll cycles from OIT via a secure data channel.
7. Third party administrator support – The third party administrator must provide two resources dedicated to immediate problem resolution. One resource will be the technical representative that will handle file setup and transmission, and the other will handle all employee- related problems and be responsible for dealing with the employee. Further, designated TPA administrators must have fully trained backup support for both functions.
8. Refund issuance – The third party administrator must handle all refunds to employees – from inception of the request through to completion.
9. Direct billing of select employees – The third party administrator must direct bill employees on leave of absence to prevent coverage lapses. Employees on in-coming third party administrator files who have zero pay time when the payroll runs will be identified and their information will be transmitted back to the third party administrator with an indicator of zero pay. This should trigger a direct bill by the third party administrator. The third party administrator should educate employees that prior to a leave, they must make payment arrangements outside the payroll cycle to prevent defaults and other problems.
10. Program instructions – The third party administrator must provide complete instructions to employees on how the deduction processes work.
11. Third party administrator relationship management – The third party administrator must resolve any non-payment and technical problems, and inform affiliated sales agents about how the process works.
12. Handle insufficient funds -- If an employee does not have adequate funds to take the deduction specified, the State will send an NSF indicator to the third party administrator to note such situations.

13. Provide for verification – The third party administrator must provide for an independent process that allows for the verification of all deduction amounts in any State Fiscal Year, and that only allowable deductions are taken.

Technical Elements

1. Interact with the State through OIT's facilities. The vendor will need to send their update transactions to the State through OIT's Direct Connect file transfer protocol software. The connection to both sites needs to be established through a dedicated line or Virtual Private Network (VPN). If a VPN is used, the State will need to pull data from the vendor's site.
2. Accept payments and employee deductions via the NACHA ACH Corporate Trade Exchange (CTX format).
3. Transmit employee update transactions in a fixed formatted text file (format to be finalized by the vendor and OIT).
4. Accept un-processed transactions (errors) via e-mail from the State's Centralized Payroll program.
5. Run file matching and error correction routines.
6. Develop detailed, field level edits.
7. Accommodate secure e-mail connections.
8. Develop files that contain, at a minimum, the following data elements/records:
 - a. Third party administrator name
 - b. Third party administrator ID
 - c. Additions of new employees with deduction amounts
 - d. Deletions
 - e. Zero dollar amounts (for transactions involving employees who terminate from the plan transaction)
 - f. Bi-weekly deduction amount changes
 - g. Valid Payroll Number (Valid are 008-899)
 - h. Existing employee information (ID number, name, and biweekly deduction amount)
 - i. File header record with appropriate totals
 - j. File trailer record which would indicate all records have been transmitted
9. Complete file content change requests (add, change delete data elements) and associated transmission in accordance with Centralized Payroll due date requirements.

Confidentiality/Security Provisions

It should be noted that any third party administrator staff interacting with State government payroll information will have to sign and submit a Confidentiality Agreement to the State (Example -- Attachment 2).

Overall, the vendor must provide to the State assurances that the third party administrator maintains sufficient controls to prevent unauthorized access and use of payroll information and controls to prevent fraud.

Funding Model Considerations

In order to implement the enhanced service, at a minimum, the State will need to invest staff and technical resources to: modify payroll edit programs and data transfer processes; set up/administer communications links; expand selected payroll deduction fields; set up new item codes and balance sheet accounts for the third party administrator; and check literals that specify the names/IDs of the third party administrator. The State is seeking to institute a cost neutral funding model that will enable it to employ the resources required to address these activities without increasing budgetary outlays. To this end, third party administrator will be required to reimburse the State for all documented costs attributable to running the enhanced service.

Enroll Process

The third party administrator will need to establish an enrollment process for interested employees, detailing service offerings, terms, enrollment procedures, and secure information capture, storage and management. This must be done without any form of disclosure, by the State, of employee information to the third party administrator.

Response Contents

Vendors responding to this RFI should explain their approaches to addressing the objectives and requirements described above, including the following.

Respondent Information

List the firm's name, location and experience in the subject area. Provide references and other information that is relevant to the service program, including organization size (employees and sales), organization charts and customer roster.

Organizational Background

Describe the types of institutional background and experience a third party administrator must possess in order to participate successfully in a program such as the one outlined here.

Technical Design

Provide an overview of how to design, develop and implement processes that cover the functional scope and technical elements set forth above, with emphasis on streamlined content transfer, communications protocols, data accuracy, data synchronization, error identification/correction and audit trailing.

Confidentiality/Security

Describe how the State's informational content will be protected during transit to/from the third party administrator's facility and how content will be protected during processing and when in storage.

System Administration/Support

Outline any system administration tasks that the State will need to perform. Also describe the type of support the State will need to provide to the third party administrator during program start-up and during normal operations.

Documentation/Training

List the types of documentation that should be developed to support the service program, and describe any training that may be required for system administrators, contract managers and rank and file State employees.

Change Control Procedure

Describe how change control should be implemented to support on-going enhancement of the program.

Cost Profile and Reimbursement

Discuss the cost elements and levels – staffing, computing resources, network connectivity, etc. that both the third party administrator and State will need to have in place to: 1) design, develop and implement the enhanced service; and 2) administer the service on an on-going basis. Provide general, non-binding cost ranges for items 1 and 2.

Discuss how the State can be reimbursed for the costs it incurs with regard to the enhanced service program, with an eye toward ensuring that the program is cost neutral.

Submittal Information

All responses should be submitted via email to Eileen Gittins, Centralized Payroll Manager at Eileen.Gittins@treas.state.nj.us. Responses to this RFI should be submitted no later than 2:00 p.m., Monday, May 21, 2012.

ATTACHMENT 1

Task Flow, Current System

(Vendors May Use This for Informational Purposes)

1. On a biweekly basis, the third party administrator sends a password protected excel spreadsheet on Wednesday of the supplemental week which details changes (additions of new employees, existing deletions, and deduction changes) for employees. If an employee is canceling, the deduction amount is \$0.00. This will delete whatever we have on file as a deduction for the employee. Spreadsheet contains Name, Social Security Number, and Deduction Amount.
2. A manual lookup and verification is done for each individual on the spreadsheet to validate the information and obtain the payroll number of the employee, as that is a required field in Job 1021A (mainframe process).
3. Spreadsheet data is entered into Keyfast (mainframe process) – Thursday of Supplemental week.
4. For employees on the spreadsheet with a deduction over \$99.99, the extra amount must be entered as “extra health and accident” which is a separate field. The maximum deduction an employee can have is \$199.98 due to these field size restrictions.
5. Edit 1021A (mainframe process) runs to edit the transactions. For those employees with “extra” a separate keyfast file is kept in “locked” status, as the “extra” field zeroes out every pay. This file and the file of new additions, deletions and changes are merged to run this job.
6. Edit errors are corrected and either resubmitted or deleted, depending on the error. If a transaction is received for an employee that is not paid by Centralized Payroll, that record would be deleted.
7. The third party administrator receives an e-mail informing them of any changes to the records. If the record can be fixed, Total Benefits will e-mail a reply with the correct information.
8. After the regular payroll is processed, a check to Total Benefits is mailed on payday along with a letter detailing the amount of the check for the pay period.
9. The following week, using a CD of all updated transactions, a spreadsheet is created that details the employees and deductions taken for that pay period.

ATTACHMENT 2

EXAMPLE CONFIDENTIALITY AGREEMENT

This Agreement made and entered into between the State Of New Jersey, acting by and through the Director of the Division of Purchase and Property in the Department of the Treasury hereinafter referred to as the State or Disclosing Party, and _____ hereinafter referred to as the Receiving Party.

The State of New Jersey, Division of Purchase and Property, in connection with the contract for _____, intends to disclose confidential information to persons who agree to the terms of this Confidentiality Agreement. Any person who will require access to Confidential Information, as defined below, must agree to the terms set forth in this Confidentiality Agreement and evidence such agreement by signing and returning this Confidentiality Agreement to the State Contract Manager.

1. Confidential Information

- a. "Confidential Information" shall mean any information or data of a confidential nature, which is not considered public record, including but not limited to: (a) personal information about individuals and entities; (b) technical, developmental, marketing, sales, operating, performance, cost, know-how, methodologies, business and process information; (c) computer programs and related documentation, including related programming know-how and techniques; and (d) all record-bearing media containing or disclosing such information, know-how and techniques disclosed to [Receiving Party] under this Agreement.
- b. Confidential Information shall not include information that (a) is or becomes available to the public other than by disclosure by the [Receiving Party] in violation of this Agreement; (b) was demonstrably known to [Receiving Party] previously with no obligation to hold it in confidence; (c) is independently developed by either party without recourse to the Confidential Information; or (d) was rightfully obtained by either party from a third party without an obligation of confidentiality.

2. Disclosure to Third Parties

[Receiving Party] shall not disclose Confidential Information to any third party (including Receiving Party's agents, representatives, independent consultants/contractors, subcontractors, as well as any third party's agents, representatives, independent consultants/contractors and

subcontractors) unless, prior to any disclosure, the [Receiving Party] has obtained [Disclosing Party's] written permission and the third party has executed a nondisclosure agreement provided by [Disclosing Party] which requires the third party recipient to consent to abide by the terms of this Agreement. [Receiving Party] shall not allow the Confidential Information to be accessed through a computer bulletin board or other "shareware" distribution process.

3. Protection of Confidential Information

The Confidential Information, including permitted copies, shall be deemed to be the exclusive property of the [Disclosing Party]. [Receiving Party] shall (a) only use Confidential Information as provided by this Agreement, (b) only disclose the Confidential Information to its employees or legal representatives who have a need to know and are advised by [Receiving Party] of the obligations of this Nondisclosure Agreement, (c) treat the Confidential Information with the same degree of care that it would afford to its own confidential information of a similar nature, but no less than reasonable care, (d) have no right, title, or interest in the Confidential Information except as provided for in this Agreement, (e) notify [Disclosing Party] within two (2) business days of any loss or unauthorized disclosure or use of the Confidential Information, (f) not remove, modify or obliterate any copyright, trademark, or other proprietary rights notice from the Confidential Information, and (g) return any and all Confidential Information to [Disclosing Party] which may be in [Receiving Party's] possession immediately upon termination of this Agreement.

4. Relief/Remedy

[Receiving Party] acknowledges that any disclosure or use of any Confidential Information in violation of this Agreement may cause [Disclosing Party] irreparable harm, the amount of which is difficult to estimate, making any remedy at law or in damage inadequate. Therefore, [Receiving Party] agrees that [Disclosing Party] shall have the right to obtain from any court of competent jurisdiction specific performance or other temporary or permanent injunctive relief for any breach or threatened breach of this Agreement. This right shall be in addition to any other remedies available to [Disclosing Party] in law or in equity.

5. Termination

Upon termination of the purpose for which the Confidential Information was disclosed (or earlier upon the request of [Disclosing Party]), [Receiving Party] shall promptly return to the [Disclosing Party] or destroy all Confidential Information and any copies of documents, papers or other material which may contain or be derived from the Confidential Information which is in its possession. At [Disclosing Party's] request, [Receiving Party] shall provide a certificate certifying that it has satisfied its obligations under this paragraph.

6. Miscellaneous

- a. Any notice required or permitted to be given under this Agreement shall be given in writing and shall be effective from the date sent by registered or certified mail, by hand, facsimile, or overnight courier to the addresses set forth on the first page of this Agreement.
 - b. This Agreement shall not be changed, modified or amended except by a writing signed by the parties. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. The [Receiving Party] shall not assign this Agreement without the prior written consent of the [Disclosing Party].
 - c. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any kind and every nature between them.
 - d. The individual executing this Agreement on behalf of the [Receiving Party] hereby represents and warrants that he or she is duly authorized to execute this Agreement on behalf of [Receiving Party].
 - e. The obligations with respect to Confidential Information created by this Agreement will survive until such time as the Confidential Information becomes publicly known.
 - f. If any provision of this Agreement is held invalid under any applicable law, such invalidity will not affect any other provision of this Agreement that can be given effect without the invalid provision.
 - g. This Agreement shall be governed in all respects by the laws of the State of New Jersey without giving effect to conflicts of laws principles. Any litigation arising out of or in connection with this Agreement shall take place in a State or Federal court of competent jurisdiction in New Jersey.
 - h. Receiving Party agrees that it will keep all Confidential Information obtained from the Disclosing Party confidential and thus will not share any such information with any third party, including any current or future clients or other party. In agreeing to this provision, Receiving Party acknowledges that information it receives in the course of this engagement could be used to give an advantage to entities that contract or seek to contract with the State or local governments and it pledges that it will not provide any such Confidential Information to any party that could use such information in that context.
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Office of Management and Budget
Request for Information
Optional Payroll Deduction and Payment Service

Signature

Date

Print Name

Company Name (Print)