Commonwealth of Massachusetts

Massachusetts State Lottery Commission (MSLC)

REQUEST FOR RESPONSE (RFR)

For

PRE-QUALIFICATION OF "LIFETIME" ANNUITY BID PARTICIPATING FIRMS

RFR #LOT 1106

Release Date: January 10, 2011

Response Due Date: February 10, 2010 3:00PM

Definitions:

1. Life Annuity: Only life insurance companies are authorized to issue life annuity contracts. A life annuity pays a guaranteed income for life. The life insurance company guarantees to make the annuity payments no matter how long the annuitant lives. If the annuitant lives longer than expected or if the interest earned is less than expected, the insurer must make up the difference.

2. Life Annuity with a guaranteed number of payments: This annuity income option pays a life income and provides if the annuitant dies before the expiration of a stipulated period (20 years) the balance of the guaranteed payments will be continued to the beneficiary until the end of the guarantee period. If the annuitant outlives the guarantee, the payments continue until payout of the last regular installment due proceeding the annuitant's death, and then nothing further is payable.

3. Deferred lifetime annuity is bought with a single premium to pay an income commencing at a specified future date.

General Laws of Massachusetts Chapter 29: Section 38. Investment of the commonwealth fund:

1. The State Treasurer may purchase with a portion of the State Lottery Fund, as established and defined in Section Thirty-Five of Chapter Ten, from insurance companies lawfully doing business in the Commonwealth, annuities payable to the Commonwealth to be used for payment of Lottery prizes. Such annuities shall not be subject to the provisions of Section One Hundred and Eighteen of Chapter One Hundred and Seventy-Five limiting payment of annuities to individuals, and shall, to the extent that such annuities are payable to the Commonwealth, be exempt from taxation under Section Twenty-Five of Chapter Sixty-Three. Contracts for the purchase of such annuities shall be subject to competitive bidding and shall be awarded to the lowest responsible bidder. All such bids and contracts shall be public records.

Purpose:

The purpose of this Request for Response (RFR) is to pre-qualify insurance firms that submit lifetime annuity bids to the Massachusetts State Lottery Commission (Lottery).

Background:

The Lottery conducts several games in which prizes are paid in equal installments over a player's lifetime with a **guaranteed minimum payment stream of twenty (20) years**. These games promote several lifetime grand prizes with annual payments ranging from $10,000 ($200,000 minimum guaranteed) to $1,000,000 ($20,000,000 minimum guaranteed).The Lottery makes the first such payment when the prize is claimed, with the balance being paid over the remaining life of the winner. The Lottery funds these lifetime annual payments through the purchase of life annuity contracts.

Winning firms are selected through a competitive bid process using an "Annuity Solicitation Letter" and "Official Annuity Offer Form" which details the response requirements and the bid opening date. Refer to Attachments E and F for samples of these items. In certain instances, the bid opening must wait until a drawing is held among the grand prize finalists to determine the lifetime winners.

Lottery procedure has been to wait until at least three grand prize winning tickets have been claimed and then to schedule an annuity bid opening. An annuity solicitation letter shall be mailed to all interested parties. The Lottery annuity bid opening shall be held at the Lottery Headquarters in Braintree where the submitted bids shall be opened and recorded. The Lottery will then award the bid or bids to the winning firm or firms within one week.

The Lottery is seeking a pool of firms eligible to fund instant "lifetime" grand prizes via insurance life annuity contracts. The Lottery bid process is streamlined by pre-qualifying firms and requiring only submission of a written quotation for future lifetime annuity bids. Once qualified, each firm shall provide bids to the Lottery on an as needed basis. In Fiscal Year 2009, two annuity bid openings were conducted to fund five "lifetime" prizes. The aggregated guaranteed prize liability was $8,720,000 and the total cost to fund the five premiums was $5,874,222. In Fiscal Year 2010, two annuity bid openings were conducted to fund three lifetime prizes. The aggregated guaranteed prize liability was $2,400,000 and the total cost to fund the three premiums was $1,802,650.

Offering Parameters:

Approximately one month prior to a scheduled bid opening, all pre-qualified firms shall be mailed a sealed bid solicitation letter containing the following information: winner(s) name, winner(s) date of birth, winner(s) gender, and annual payment amount. The submitted quotations should be in whole dollar amounts (no cents). The winning proposal shall be the one that provides the desired stream of annuity payments at the lowest total cost. In the case of a tie, the winning proposal shall be the offer received first by the Lottery (all proposals will be date/time stamped).

Bid Opening Procedures:

Bid proposals are due on the scheduled bid opening date no later than 2:00 p.m. eastern standard time. Proposals must be delivered in a sealed envelope with the bid name and Request for Response number (RFR #) clearly labeled on the front of the bid package.

If bids are submitted using such carriers as Fedex or UPS, bidders must mark the outside of the carriers standard packaging for the bid to be recognized and properly received.

The bid proposals must be submitted on the forms supplied by the Lottery and must include a separate cost for each individual premium and be signed by an authorized representative of the firm. Telephone or facsimile bids will <u>not</u> be accepted by the Lottery.

At 2:15 p.m., authorized representatives of the Lottery shall open and record each bid in a public forum. Immediately following the bid opening, the Lottery shall notify the winning firm(s) by phone that their offer was accepted. A written confirmation for each annuity winner shall be issued within one week of the bid offering.

The Lottery reserves the right to withdraw the request for bids at any time.
The Lottery will not be held responsible for bid responses not properly marked.

Settlement:

The Lottery shall make payment for the life premiums to the winning firm's bank via EFT within ten (10) business days following the award.

The winning firm(s) will EFT the annual annuity amount to the Lottery's designated bank account on or about the anniversary date of the initial prize claim or drawing date.

The winning firm(s) must supply the official contract policies within five (5) business days of receipt of payment from the Lottery. Contracts should be mailed to: Massachusetts State Lottery Commission, 60 Columbian Street, Braintree, MA 02184, Attention: Controller.

Qualification Requirements:

In order to pre-qualify and participate in the Lottery lifetime annuity bids the firms must meet or exceed the following requirements:

1) Licensed to do business in the Commonwealth of Massachusetts;
2) Maintain an AM BEST rating of A or better;
3) Maintain at least $100 million in capital and surplus;
4) Maintain at least $1 billion in assets per the balance sheet of the company's most recently audited financial statements prepared by an independent certified public accountant.

In addition, all qualified firms are required to execute the following:

1) The Commonwealth of Massachusetts Terms and Conditions and Standard Contract;
2) W-9 Form; and
3) EFT Authorization Form

Failure to execute the above documents shall automatically disqualify your firm. Upon execution of the above documents, if said firm fails to meet any of the above conditions, said firm must inform the Lottery immediately. Said firm shall no longer be considered qualified and the executed contract shall be terminated. The Lottery reserves the right to remove any firms from the pool, conduct additional searches for qualified firms, and add qualified firms to the pool.

Response requirements and required documentation:

All firms interested in participating in lifetime annuity bids must provide the following: a copy of your AM BEST rating, a copy of your most recently audited financial statements prepared by an independent certified public accountant, a copy of your most recent annual national association of insurance commissioners statement, and any other documentation as necessary as evidence of your compliance with the above criteria under **Qualification Requirements.**

In addition, all responding firms must sign and return the following: Commonwealth of Massachusetts Standard Contract Form, Commonwealth Terms and Conditions, Commonwealth of Massachusetts Request for Verification of Taxation Reporting Information (W-9 Form), and the Commonwealth of Massachusetts Authorization For Electronic Funds Payment (preferred but not required)

Change in Financial Condition:

All firms shall immediately notify the Controller of the Lottery in writing if said firm no longer meets the conditions as outlined under **Qualification Requirements.** Misrepresentation or failure of the firm to notify the MSLC shall be reason for termination of contract and possible legal action. Annually the Lottery will perform a solvency review of each companies AM Best Rating and may require you to resubmit a copy of your most recent audited financial statements.

Written Inquiries:

Interested firms may submit questions concerning this RFR no later than Tuesday, January 18, 2011 @ 2:00 p.m., as noted on the Procurement Calendar. They may be mailed, emailed, faxed or delivered. The Procurement Management Team will review and consolidate inquiries received before the deadline, prepare written answers and post them on the Commonwealth Procurement Access and Solicitation Site; www.comm-pass.com, on or before Tuesday, January 25, 2011(est.). We will also forward them to each firm that submitted inquiries. The source(s) of the question(s) will not be revealed.

All inquiries **must** be made in writing to:

Donna M. Walsh
Massachusetts State Lottery Commission
60 Columbian Street
Braintree, MA 02184
Tel: (781) 849-5674
Fax #: (781) 849-5579
Lotteryprocurement@masslottery.com

General Requirements:

Multiple Contractor Award

The Lottery intends to award multiple contracts as a result of this advertisement.

Anticipated Duration of Contract:

Any contract resulting from this advertisement shall be for a three (3) year period commencing on the contract start date. The Lottery shall have the option to extend the term of any contract(s) resulting from this advertisement for up to two (2) one-year periods. The Lottery shall exercise its option by submitting written notice to all firms at least thirty (30) days prior to the termination.

Attachments:

1. Terms and Conditions – Attachment A
2. Standard Contract – Attachment B
3. List of Lottery Personnel Authorized to Conduct Annuity Bids – Attachment C
4. Request for Verification of Taxation Reporting Information (W-9 Form) – Attachment D
5. Sample Annuity Solicitation Letter – Attachment E
6. Official Annuity Offer Form – Attachment F
7. Authorization for Electronic Funds Payment – Attachment I

Procurement Calendar:

The dates and times for certain critical events relative to this RFR, including the release of this RFR, submission of bids, etc., are as follows:

	Day	Date	Time
Release of RFR	Monday	January 10, 2011	9:00 AM
Submission of Written Inquiries	Tuesday	January 18, 2011	2:00 PM
Response to Written Inquiries (est.)	Tuesday	January 25, 2011	
Response Due Date	**Thursday,**	**February 10, 2011**	**3:00 PM**

RFR bids must be sealed in an envelope and received at Lottery Headquarters, 60 Columbian Street, Braintree, MA 02184 by **3:00 p.m. Thursday, February 10, 2011.** Envelopes containing the RFR must be clearly marked, **RFR # LOT 1106.**

The RFR MUST BE CLEARLY MARKED ON THE OUTER MOST ENVELOPE

RFR # LOT 1106

Send or deliver bids to:

Donna M. Walsh
Massachusetts State Lottery Commission
60 Columbian Street
Braintree, MA 02184
(781) 849-5674