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FEBRUARY 07, 2017

AGENDA ITEM 06  
ACTION ITEM

CALIFORNIA ABLE ACT BOARD

*Resolution No. 2017-02: Resolution of the California ABLE Act Board Relating to the Approval to Issue a Request for Proposals for Program Administrator and Investment Manager Services*

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***Action Recommended***

Adopt Resolution No. 2017-02 authorizing the Executive Director to issue a Request for Proposals (RFP) for Program Administrator and Investment Manager (“Program Manager”) Services.

***Background***

The task of developing and implementing a savings program is complex work that requires a high level of knowledge and expertise with respect to the 529A programs industry and the laws to which it is subject. The California ABLE Act Board has limited staff resources. For these reasons, staff is recommending procuring the services of a qualified program manager to provide the Board with assistance in its role to administer the California ABLE Program Trust, including but not limited to funds management, administrative services, outreach and marketing.

A summary of the draft RFP attached to this memo is provided below.

***Scope of Services***

The following scope of work details the Board’s expectations for a program manager. These program manager services include the following:

- a) General
  - (i) The Contractor will provide overall management services for the compliance, investment, marketing, administration, recordkeeping and customer service functions of CalABLE in compliance with all RFP requirements and the resulting contract.
  - (ii) The Contractor will manage CalABLE in compliance with state and federal laws, including Section 529A, applicable Treasury and SSA requirements and regulations, applicable Municipal Securities Rulemaking Board (“MSRB”) and Securities Exchange Commission (“SEC”) requirements and other state and federal requirements.

- (iii) In the event applicable final Treasury and SSA rules and regulations are not issued prior to the launch of CalABLE, the Contractor will undertake to comply with final rules and regulations once issued within a commercially reasonable period of time to the satisfaction of the Board.
- (iv) On an ongoing basis, the Contractor will monitor for changes in the legal and regulatory environment that may materially affect the Plan, and it will make recommendations for amendments or supplements to the Plan processes and offering materials.
- (v) The Contractor must adhere to the Board's applicable standards and policies, as and when adopted by the Board. The Contractor must comply with the Americans with Disabilities Act ("ADA") and Section 508 of the Rehabilitation Act ("Section 508") for any disclosures, plan descriptions, participation agreements and Program forms, and website.
- (vi) Services shall be performed at the offices of the Contractor, appropriate affiliates, subsidiaries and subcontractors. The Contractor, affiliates, subsidiaries and subcontractors must provide services in compliance with all federal and State regulatory bodies.
- (vii) The Contractor will designate a dedicated key personnel team to serve the Board and it will notify the Board of any changes to the management or composition of that team as they occur. Such changes include re-assignments, resignations, terminations, additions or other changes to the employment status or composition of the professionals assigned to the team.
- (viii) All work to be performed by the Contractor will be reviewed by the Board or its designee. Such review will not relieve the Contractor of any liability in connection with such work.
- (ix) The Contractor must assist the Board with launching CalABLE by October 1, 2017.

b) Investment Services

- (i) The Contractor must develop and recommend investment options, underlying funds and fee structures to appeal to both long-term savers and transactional users with various risk tolerances and varying contribution levels. Investments should be simple yet offer maximum flexibility to satisfy various account owner objectives and needs. The Board must approve any and all recommended investment options. Per statute, the Board will establish a Statement of Investment Policy ("Investment Policy Statement") for CalABLE upon engagement of an investment consultant. The Contractor shall comply with the terms of the Investment Policy Statement.

- (ii) The Contractor must offer a federally-insured checking and/or traditional savings account option, with the opportunity to offer a debit card or prepaid card feature to CalABLE account owners.
  - (iii) The Contractor may recommend a proprietary line-up of underlying investments, investments from a single mutual fund company, or investments from multiple investment managers. In either case, the Contractor must support its recommendations to the Board, demonstrating the superiority of the recommendation over other possible investment line-ups.
  - (iv) Upon engagement of an investment consultant, the Board will establish Monitoring Procedures and Criteria with which the Contractor will comply and by which the Contractor's performance will be measured. The Contractor must also demonstrate that it (and any investment management subcontractor) has rigorous internal monitoring procedures in place for the funds and investment vehicles proposed as Underlying Investments.
  - (v) The Contractor shall provide regularly scheduled investment performance reports compared to agreed-upon benchmarks. The Contractor should expect to provide these reports on a monthly basis, at a minimum.
  - (vi) On at least a quarterly basis, and more frequently as necessary, the Contractor must inform the Board about significant changes in the investment climate, market conditions or investment philosophies that could affect Plan investments.
- c) Administration, Recordkeeping and Customer Service
- (i) The Contractor will administer the Program, maintain all records, and comply with all applicable laws and reporting requirements set forth under Section 529A, the SSA, the California Franchise Tax Board ("FTB"), federal and State securities regulators, and the Board imposed administrative performance criteria. The Contractor's reporting requirements include the annual report and audit of the Plan as may be required in section 4881 of the Welfare and Institutions Code.
  - (ii) The Contractor shall provide all necessary administrative and recordkeeping services, including the following:
    - a. Provide enrollment online and through a central mailing location that can receive express deliveries and deliveries by normal U.S. postal services.
    - b. Maintain contact information for designated beneficiaries and authorized legal representatives, as applicable; separate accounting for each account and designated beneficiary; and account payment and distribution history.

- c. Monitor limitations on maximum annual contributions, twice-per-year investment changes, account balances for SSI benefit purposes (currently \$100,000), and maximum limits for overall account balances.
  - d. Provide daily NAVs; generate and distribute periodic statements and Internal Revenue Service (“IRS”) forms (e.g., 1099-QAs and 5498-Qs); provide 24/7 online account access and account maintenance; provide account information on a monthly basis to SSA and IRS; and implement a fraud prevention program.
  - e. Process rollovers to/from qualified ABLE programs; transactions via ACH; SSI and SSDI direct deposits; payroll direct deposits; and requests for Program literature and forms and any other reasonably-related administrative services necessary to operate CalABLE.
  - f. Develop and provide a secure and ADA-compliant website, which provides access to account information.
  - g. Develop and provide updates to official disclosure statements.
- (iii) The Contractor must keep and protect the confidentiality of personal information, including identification numbers or account codes in accordance with all applicable federal and State laws.
  - (iv) The Contractor’s customer service representatives must be knowledgeable about CalABLE, provide information about the impact of ABLE account on any assets on federal means-tested benefits, and engage in responsive conversation.
  - (v) At a minimum, live customer service will be required from 8:00 a.m. to 7:00 p.m. PT, Monday through Friday, except holidays. These customer service representatives must be available on the phone and through an online/website interface, as indicated by the CalABLE Survey respondents. There also must be a voice response unit and online servicing access in all other hours. In person customer service is not a requirement of the program, however the Board would like to offer face to face customer service if possible.
  - (vi) The Contractor shall provide required monthly reports to federal and State entities regarding accounts and account activity. The Contractor will also provide regularly scheduled reports to the Board regarding the number of new accounts and assets generated for that month and currently in existence, any relevant account activity, and other program administration information prescribed by the Board.

- (vii) The Contractor also will provide a quarterly report outlining customer service inquiries and results, the number and types of complaints and the manner in which they were resolved, and such other information as the Board requests, including prior year comparisons on requested information.
  - (viii) The Contractor must attend or be represented at all Board meetings (monthly) unless otherwise notified by the Board Chair or his or her designee, and provide program-related reports as requested by the Board or its staff.
  - (ix) The Contractor must also respond to the need for telephone consultation within a 24-hour period and be available at minimum to the Board and the staff between the hours of 8 a.m. – 5 p.m. PT.
  - (x) Upon request, the Contractor shall provide the Board access to all files, records, documents and data pertaining to the Plan that are in its possession and control, regardless of how that information is stored (“Plan Records”). The Plan Records shall be provided in a reasonable time and in a form acceptable to the Board. At its expense, the Contractor also shall provide the Board all Plan Records in a useable electronic form after notice from the Board that the Agreement will terminate.
  - (xi) The Contractor’s performance will be measured by administrative performance criteria, which the Board will establish (“Administrative Benchmarks”) once a Bidder is chosen and which will be included in the Agreement. The Board and/or the Contractor may review and recommend modifications to the Administrative Benchmarks on an annual basis based on industry norms and national trends; any modifications will require approval by the Board.
- d) Marketing and Outreach
- (i) The Contractor must work with disability advocates across the State to aggressively market and promote CalABLE throughout California.
  - (ii) The Contractor must provide investor education and outreach across California, including some materials in Spanish. The Contractor will support the Board’s efforts to reach all possible eligible individuals through initiatives directed specifically toward California residents with disabilities.
  - (iii) The Contractor, working with any firms retained by the Board for marketing or public relations services, will present an annual marketing plan to the Board for review and approval. The marketing plan should include all strategies and mechanisms anticipated to reach the broadest audience of eligible individuals in California. The annual marketing plan will be based upon the Contractor’s annual marketing commitment, to be used for marketing and promotional expenditures, excluding overhead charges. All marketing plans will be subject to the Board’s approval.

- (iv) The Contractor will provide regularly scheduled reports on marketing expenditures and will be expected to provide an analysis of the effectiveness of its marketing strategies.

**Minimum Qualifications**

Bidders must certify that they meet the following minimum qualifications:

- a) Bidder(s) must hold and maintain all licenses and registrations required by applicable federal and state laws for businesses offering securities, investment and municipal advisory services. All licenses and registrations must be current and in good standing.
- b) Must be qualified to do business in the State of California. If awarded the contract, Bidder must be able to provide, at the State’s request, evidence of qualification to do business in the State of California from the California Secretary of State, including the qualification of any subcontractor.
- c) Bidder(s) may not currently or during the term of the Agreement executed pursuant to this RFP have a contractual or other business relationship with the Board’s ABLE consultant or with its investment consultant once it is named (expected on or about March 20, 2017).

**Proposed Timeline/Schedule of Activities**

| <b>Date</b>              | <b>Action</b>                                   |
|--------------------------|---|
| <b>February 28, 2017</b> | RFP Available to Prospective Bidders            |
| <b>March 20, 2017</b>    | <b>Deadline for Written Question Submission</b> |
| <b>March 24, 2017</b>    | Answers to Written Questions Distributed        |
| <b>April 4, 2017</b>     | <b>Deadline for Proposal Submission</b>         |
| <b>April 18, 2017</b>    | Notice of Intent to Award                       |
| <b>April 23, 2017</b>    | Contract Award                                  |
| <b>May 9, 2017</b>       | Commencement of Contract (pending DGS approval) |
| <b>October 2017</b>      | Launch of CalABLE                               |

**Evaluation and Scoring**

- a) All proposals will be reviewed by an Evaluation Committee. The initial review of the proposals will confirm that all information has been submitted in conformity with the requirements of this RFP. The absence of required information will cause a proposal to be deemed nonresponsive and may result in the proposal’s disqualification. Responsive proposals will then be scored according to criteria herein. The scored categories and the corresponding weighting of each scored category is as follows:

| <b>EVALUATION CRITERIA</b>  | <b>Weighting</b>  |
|---|-------------------|
| Firm Background, Organization and Compliance  | 10 points         |
| Investment Structure and Experience   | 20 points         |
| Administration, Recordkeeping and Customer Service  | 20 points         |
| Marketing and Outreach  | 20 points         |
| Fees (10 points for average Total Investment Option Fees, and 20 points for Total Account Maintenance Fees) | 30 points         |
| <b>Total</b>  | <b>100 points</b> |

The Evaluation Committee will allot points for each component of the RFP, up to 100 points. If necessary, the Evaluation Committee will provide all Bidders with a common list of questions it deems necessary to clarify the written proposal.

- b) The following point scale will be used to score the responses to each scored category except with regard to fees.

Percent of Maximum Score Allotted to Particular Weighted Criterion

- 100% - Excellent response backed by demonstrated ability.
- 85%- Good response backed by demonstrated ability.
- 75%- Fair response backed by demonstrated ability.
- 60%- Poor response.
- 0% - Bidder does not demonstrate ability.

- c) Proposals that contain false or misleading statements, or provide references that do not support an attribute or condition claimed by the Bidder, may be rejected. If, in the opinion of the Board, such information was intended to mislead the Board in its evaluation of the proposal, and the attribute, condition, or capability is a requirement of this RFP, it will be the basis for rejection of the proposal.
- d) The Evaluation Committee will review all proposals for the quality of the written proposal, including clarity and thoroughness of the responses.
- e) The contract will be awarded to the responsible and responsive Bidder with the highest total score.
- f) The Board is not required to award an Agreement.

**Attachments**

- Attachment #1- Resolution No. 2017-02
- Attachment #2- Draft RFP No. ABLE05-16 Request for Proposals for Program Administrator and Investment Manager Services