
SEPTEMBER 4, 2013

AGENDA ITEM 3
INFORMATION ITEM

SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Preliminary Market and Feasibility Study Approach and Timeline

Presenter

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Background

The purpose of this agenda item is to begin a discussion among board members and staff about the approach for the market and feasibility study and the timeline for completing the study.

Before the Legislature can consider further legislation to implement Secure Choice, SB 1234 requires the Board to conduct a market analysis and feasibility study to determine whether the legal and practical conditions for implementation can be met. Funding for the market and feasibility study must come from private nonprofit or for-profit entities, or from federal sources. The use of State funds for the study is prohibited. Upon completion of the study, the Board will provide the results and its recommendations to the Legislature, and await further authorizing legislation to implement the program.

Specifically, Government Code Sections 100040 and 100042 state:

The Board shall initially conduct a market analysis to determine whether the necessary conditions for implementation of this title can be met, including, but not limited to, likely participation rates, participants' comfort with various investment vehicles and degree of risk, contribution levels, and the rate of account closures and rollovers. The board shall conduct this analysis only if sufficient funds to initiate and complete the required market analysis are made available through a nonprofit or private entity, or from federal funding.

[The Program] shall become operative only if the board determines that, based on the market analysis, the provisions of this title will be self-sustaining, and funds are made available through a nonprofit or other private entity, federal funding, or an annual Budget Act appropriation in amounts sufficient to allow the board to implement this title until the trust has sufficient funds to be self-sustaining.

The study likely will include: (1) surveys of representative samples of the population of eligible participants and employers; (2) a review of academic literature on retirement savings participants' needs and behaviors, and on plan design elements that maximize participation and maximize retirement income replacement ratios; (3) the development of recommendations for how the Program should be designed and administered; (4) legal analysis to determine how to structure the Program in a way that meets legal requirements set forth in SB 1234; and (4) an analysis to determine whether likely demand and participation would make the program self-sustaining.

Because the study's recommendations will guide development of the Program on which many California workers may rely for a source of secure retirement income, and because the Program could serve as a model for similar programs in other states, the research will need to be relevant, thorough, comprehensive and of the highest quality.

As a first step, staff is proposing the release of a Request for Information (RFI) to begin gathering input from financial service industry experts and scholars on how the Program should be designed and administered. RFI responses will also guide the development of the Request for Proposal (RFP) process used to select the firm(s) who will conduct the market analysis and feasibility study.

Preliminary Timeline

For the purpose of discussion, staff has prepared a preliminary timeline of activities leading up to the eventual implementation of Secure Choice.

| Activities | Dates |
|---|---------------------------|
| Release the Request for Information (RFI) and receive responses from experts and scholars | Sept. 2013 – Nov. 2013 |
| Prepare Request for Proposal (RFP) for the market and feasibility study | Sept. 2013 – January 2014 |
| Release RFP and choose vendor(s) to conduct the study | Jan. 2014 – April 2014 |
| Vendor(s) conduct market and feasibility study | April 2014 – October 2014 |
| Board considers study recommendations and transmits final report with recommendations to the Legislature, including a request for the authority to make the Program operational if the study's findings are favorable | Oct. 2014 – Jan. 2015 |

| Activities | Dates |
|---|-----------------------|
| If the Board recommends making the Program operational, and in anticipation of receiving Legislative authority to do so, develop RFPs for administrator, record keeper, investment consultant and other contracts necessary to operate the program. | Jan. 2015 – July 2015 |
| Enactment (or failure) of an authorizing statute expressing the approval of the Legislature to fully implement the Program | July 2015 |
| If authorizing statute is enacted, begin the bidding process for vendors and consultants necessary to administer the Program | July 2015 – Oct. 2015 |
| Secure Choice begins enrolling participants | Early 2016 |