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DECEMBER 18, 2017

AGENDA ITEM 10  
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Resolution No. 2017-12: Authority to Release Request for Proposals for Program  
Administrator(s)*

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This item will be presented as an information item at the December 18, 2017 Board meeting, and will be considered for action at the January 22, 2018 Board meeting. For more information on the item, please see the attached memorandum.

***Attachment***

- Summary of comments on draft requests for proposals



## California Secure Choice Retirement Savings Investment Board Summary of Comments on Draft Request for Proposals

The draft Request for Proposals for Program Administration and Investment Management Services (“RFP”) was posted for and discussed at the November 27, 2017 meeting of the California Secure Choice Retirement Savings Investment Board. Pursuant to a solicitation of public comments, Staff received comments on the draft from five entities by Thursday, December 7. The comments are summarized below across five general categories:

### Roles of the Parties

- **Role of Fiduciary** - Commenters asked for clarification on the need for either the Program Administrator or the Investment Manager to be a Fiduciary.
- **Program Custody** – Commenters asked for clarification on which entity would perform overall custody functions for the Program.
- **Investment Manager** – Commenters asked if it was necessary for the Investment Manager to be contractually bound to the Board versus the Program Administrator.

### Contract Term and Conditions

- **Contract Term** – Generally, commenters indicated that the seven-year initial term, plus three, one-year extensions may not be enough time for the Program Administrator to recoup its initial investment to launch the Program.
- **Multiple Contract Terms** – Would it be possible to have a shorter contract term (i.e., three years) for an Investment Manager?
- **Effective Date of Contract** – Depending on the effective date of the Contract, the Program Administrator might not actually receive seven years of revenues in the initial term.
- **Non-Negotiable Terms and Conditions** – Commenters expressed that the complexity and risks associated with a new Program would make it difficult to respond to the RFP if the Sample Standard Agreement terms were non-negotiable.

### Specific Services

- **Foreign Language Support** – Which foreign languages would be necessary and in what capacity (customer service representatives, marketing materials, disclosure documents, etc.)?
- **Investment Options** – Commenters asked for a better understanding of the types of investment vehicles the Program would utilize, including the use of collective investment trusts.
- **Annual Program Audit** – Commenters were concerned that it could be a conflict of interest if the Contractor paid for the Program audit.
- **Field Representatives** – Commenters stressed the financial impact of providing on-the-ground representatives to support employer onboarding.
- **Board Direction** – It should be clear that services are provided as requested or directed by the Board (particularly with respect to investments and other services that might be provided internally).

### Program Fees and Revenue

- **Start-up Funding** – Multiple commenters asked if the Board would provide funding to assist with the cost of launching the Program (with the understanding that the Program Administrator would not be able to recoup its investment until Participants fund their accounts).
- **Asset-Based versus Dollar-Based Fees** – Commenters sought clarification regarding the ability to offer dollar-based fees versus asset-based fees.



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- **Total Program Expense Cap of 1%** - Commenters sought clarification regarding the 1% cap on Program fees and whether that included dollar-based fees as well as asset-based fees.
- **Additional Data from the Feasibility Study** – Commenters asked that the RFP include additional data such as projected annual assets, participants, contributions and withdrawals.

### RFP Structure and Timeline

- **Multiple Bidders** – Could firms participate in multiple responses due to the potential to bid alone or as part of a Program Manager consortium?
- **Timeline** – The proposed timeline for responding to the RFP is aggressive due to the complexity of the Program and the year-end holidays.

### Board Considerations

The comments submitted have been extremely helpful as we move to finalize the RFP. While many of the comments are administrative in nature, a number of items require input from the Board to move forward, including:

- **Contract Term**
  - Length of initial term overall
  - Terms for Program Administration and Investment Management
- **Fee Structure**
  - Asset-based versus dollar-based fees
  - Board policy regarding a 1% fee cap for the years prior to year 7 (the effective date of the statutory cap)
- **Investment Structure**
  - Timing of establishment of Investment Beliefs and subsequent Investment Policy Statement
  - Desire for capital preservation or Treasury option will impact the selection of an investment manager