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JANUARY 22, 2018

AGENDA ITEM 7  
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Discussion of Request for Proposals for Program Administrator and Investment Manager*

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***Background***

State law compels the California Secure Choice Retirement Savings Investment Board (“Board”) to design and implement the California Secure Choice Retirement Savings Program (“the Program”) and makes it responsible for the effective and efficient administration of the California Secure Choice Program Trust (“Trust”). State law also requires the Board to determine the duties of and contract with a third-party administrator (“TPA”), or administrators, to operate the Program.

The two primary categories of services required to operate the Program include program administration and investment management. The Program will require a program administrator to operate the day-to-day operations of the program including customer service duties, recordkeeping, compliance, custody services, enrolling participants, administration of participant accounts, and establish a program platform and processes that ensures participation in the Program is simple and easy to administer for participating employers. The program administrator will also be necessary to create and maintain multiple methods of communications with employers and eligible employees, including developing an online platform for the Program, implementing a marketing strategy, and providing customer support.

The Program will require an investment manager to offer a range of investment options with competitive investment performance geared to the anticipated needs and investment objectives of participants, at the lowest possible cost, and provide the Board with regular updates on performance, costs, and trends.

At the October 23, 2017, November 27, 2017, and December 18, 2017 Board meetings, staff and the consultants recommended the use of a procurement method allowing a firm, or firms, to bid on all or parts of the services necessary for administration of the Program. Staff and the program consultant recommended the approach based on the assumption it will allow the Program to foster competition among bidders to yield the best value for the State and participants while identifying and utilizing best-in-class services for each function of the Program. The open-ended approach should also provide greater cost transparency for each of the services necessary for administration of the Program. The proposal also allows the Program the flexibility to replace a firm that is not performing to the standards of the Program or hire an additional firm to provide services, while allowing it to maintain relationships with high-performing firms.

In accordance with the recommendations presented to the Board at the October 23, 2017, November 27, 2017, and December 18, 2017 Board meetings, program consultant AKF Consulting and Program staff developed Request for Proposals number CSCRSIB07-17 (“the RFP”) for Program Administration that allow separate firms to bid on program administration, investment management, or both services.

### ***RFP Structure***

Staff and the program consultants recommend releasing a single RFP to solicit proposals for the administration of the Program and allow bidders to submit bids for:

- Stand-alone program administrator services;
- Stand-alone investment management services; or
- Program manager services (a combination of program administrator and investment management services)

If a single firm is awarded the contract for Program Management, the Board shall have the right to require the contractor to replace an existing investment managed by it with an alternative investment managed by an entity that is not affiliated with the contractor if the Board reasonably determines that such a change is in the best interests of participants. Furthermore, the Board would retain the right to add an additional investment manager, or managers, if it chooses.

### ***Contract Terms and Conditions (Exhibit E)***

Following the December 18, 2017 Board meeting, staff released the Additional Provisions included in the Program Administrator and Investment Manager RFP (Exhibit E) for public comment. Staff received comments from four firms. As will be presented by AKF Consulting and shown in Attachment #2, three consistent themes ran throughout the comments; fiduciary standard of care, indemnification of the Board, and limitations on liability.

### ***Costs***

The firm, or firms, selected through the RFP will be compensated according to the administrative fee(s) charged. A firm’s compensation shall be accrued daily and withdrawn no more frequently than monthly. Because the TPA(s) will be reimbursed according to fees applied to Program assets, the contract amount is for \$0. Staff will score the proposals based on how each firm’s administrative fee compares with the other bidders.

### ***Contract Term***

Staff and the program consultants propose a contract term of seven years with three one-year extension options, for a total maximum contract term of ten years. The Board shall preserve the right to terminate the contract, or contracts, for cause during the first seven years of the contract term and may choose not to extend the contract for any of the remaining three years at will.

Staff and the program consultants recommend the minimum seven-year term to provide for the lowest-possible administrative fees for participants, as it would allow the Program to accrue significant assets during the term of the agreement, thereby helping the provider to recoup investments that may be necessary during the initial years when the Program may lack the scale necessary to maintain low costs.

### ***Expected Timeline***

If the Board approves release of the RFQ at the February 26, 2017 Board meeting, staff estimate the administrator(s) could begin work in June of 2018, as shown in the table below.

<b>Date</b>	<b>Action</b>
February 23, 2018	RFP Available to Prospective Bidders
March 5, 2018, 10am PT	Optional Pre-Proposal Conference
March 8, 2018, 4pm PT	<b>Deadline for Written Question Submission</b>
March 13, 2018, 1pm PT	Bidder Contact Information Provided to Executive Director Answers to Written Questions Distributed
April 6, 2018, 4pm PT	<b>Deadline for Proposal Submission</b>
April 23 - 27, 2018	Interview
Mid-Late May, 2018	Notice of Intent to Award
Mid-Late May, 2018	Contract Award
June, 2018	Commencement of Contract (pending DGS approval)

### ***Evaluation***

All proposals will be reviewed by an evaluation committee. Members of the evaluation committee may seek the analysis and expertise of the program and investment consultants during review of the proposals. Bidders will be evaluated based upon the quality of their background and personnel; the firm's experience providing services; the quality of the work plan presented; proposed fee(s); and, potentially, interviews. Staff will present a recommendation to the Board at the May, 2018 Board meeting.

### ***Performance***

Once hired, the Board will establish monitoring procedures and performance criteria to evaluate the TPA(s)' performance, to be developed in consultation with the program and investment consultants.

### ***Attachments***

- Attachment 1: Draft Exhibit E
- Attachment 2: Presentation by AKF Consulting
- Attachment 3: Memorandum from Executive Director on Call Center Staffing