
FEBRUARY 26, 2018

AGENDA ITEM 7
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Resolution No. 2018-03: Release of Request for Proposals for Program Administrator and Investment Manager

Background

State law compels the California Secure Choice Retirement Savings Investment Board (“Board”) to design and implement the California Secure Choice Retirement Savings Program (“Program”) and makes it responsible for the effective and efficient administration of the California Secure Choice Program Trust (“Trust”). The Board’s enabling statute further requires that the Board adopt a third-party administrator (TPA) model to operate the Program¹.

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 conduct 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. (See below for further discussion of models for the customer service function.)

The Program will require an investment manager(s) 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.

RFP Structure

At the past several 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

¹ Government Code Section 10043(b)(1)(D)

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 previous Board meetings, program consultant AKF Consulting and Program staff developed request for proposals number CSCRSIB07-17 (“the RFP”) (Attachment 1) for program administrator and investment management that allow separate firms to bid as follows:

- 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. At the January 22, 2018 Board meeting, the program consultant presented a report to the Board that included a summary of the comments received on Exhibit E. At the meeting, the Board’s discussion generally concluded that substantial changes would not be made to the sections of the draft RFP (1) that requires the TPA to discharge their duties as a fiduciary; regarding indemnification of the TPA; and (3) regarding liability of the TPA. The RFP presented here reflects those conclusions and offers a possible modification to the indemnification language for the Board’s consideration.

Models for Staffing a Customer Service Call Center

During the January 22, 2018 Board meeting, the Board discussed models for staffing the customer service call center for the Program based on Board Member and stakeholder input in addition to a memorandum from the executive director provided on January 19, 2018 (Attachment 4).

The Board discussed these considerations and options in the context of the Government Code Section 19130, described in more detail in the executive director’s memorandum.

The Board concluded that:

- Additional analysis should be done now and during the first year of the Program operation on the feasibility and costs associated with a state employee call center; and
- The RFP should include language that states the call center will begin as a service of the TPA but, unless the Board chooses otherwise by the end of year one of Program operation, the services will be transitioned to state employees during years two and three of Program operation. The Board also concluded the RFP should ask bidders to show the

cost of call center services broken out separately and provide bids under both scenarios, one in which they transition the services to the state and one in which they do not.

Based on additional industry feedback received by the program consultant and executive director since the January 22, 2018 Board meeting, the program consultant provided the Board a memorandum (attachment 3) describing a new option for consideration.

Costs

During the January 22, 2018 Board meeting, the Board discussed with the program consultant the types of fee structures that could be incorporated into the RFP. The Board agreed with the recommendation to not prohibit firms from including in their fee proposal a fixed dollar fee in addition to, or in the place of, an asset based fee.

The firm, or firms, selected through the RFP will be compensated according to the administrative fee(s) charged on participant accounts. 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. For the cost analysis portion of the RFP review, the evaluation committee will score the proposals based on how each firm’s administrative fee compares with the other bidders.

Contract Term

The agreement entered into pursuant to this RFP (the “Agreement”), if any, will become effective upon approval by the Department of General Services (“DGS”). The term of the Agreement will be seven (7) years from the date of the first eligible employee enrollment with three (3) one-year extension options, if desired by the Board, for a possible total term not to exceed ten (10) years.

Expected Timeline

If the Board approves release of the RFP at the February 26, 2017 Board meeting, staff estimate the administrator(s) could begin work at the beginning of July 2018, as shown in the table below:

Date	Action
March 2, 2018	RFP Available to Prospective Bidders
March 8, 2018, 10am PT	Optional Pre-Proposal Conference
March 12, 2018, 4pm PT	Deadline for Written Question Submission
March 19, 2018, 1pm PT	Bidder Contact Information Provided to Executive Director Answers to Written Questions Distributed
April 13, 2018, 4pm PT	Deadline for Proposal Submission
May 7-11, 2018	Interview
May 21, 2018	Notice of Intent to Award
Week of May 28, 2018	Contract Award
July 2018	Commencement of Contract (pending DGS approval)

Evaluation

All proposals will be reviewed by an evaluation committee that will likely include two Board Members. Members of the evaluation committee will 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 interviews. If desired by the Board, the evaluation committee's recommended firm(s) will present to the Board during the meeting on May 21, 2018 prior to the Board's vote on selection.

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.

Resolution No. 2018-03

Resolution no. 2018-03, if approved by the Board, would express Board approval for the release of RFP no. CSCRSIB07-17 for program administrator and investment manager.

Staff recommendation

Staff recommend the Board approve resolution no. 2018-03 to release RFP no. CSCRSIB07-17 for program administrator and investment manager.

Attachments

- Attachment 1: Resolution No. 2018-03
- Attachment 2: RFP No. CSCRSIB07-17
- Attachment 3: Memorandum from AKF Consulting
- Attachment 4: Memorandum from Executive Director (January 19, 2018)