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APRIL 23, 2018

AGENDA ITEM 1  
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Meeting Minutes for the February 26, 2018 California Secure Choice Retirement Savings  
Investment Board Meeting*

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Board members present:

Steve Juarez for State Treasurer John Chiang  
Karen Greene Ross for State Controller Betty T. Yee  
Jacqueline Wong-Hernandez for Director of Finance Michael Cohen  
Edward De La Rosa  
Heather Hooper  
Robert Purcell  
William Sokol  
Yvonne Walker  
Dora Westerlund

Board members absent:

None

Staff present:

Katie Selenski, Executive Director  
Brian Gould, Deputy Director  
Alyssa Delacruz  
Jonathan Herrera  
Ruth Holton-Hodson  
Eric Lawyer  
Robert Hedrick, Senior Attorney, State Treasurer's Office

Consultants present:

Andrea Feirstein, AKF Consulting Group ("AKF")  
Mark Chapleau, AKF  
Eric Douglas, AKF  
Paul Cowie, Meketa Investment Group ("Meketa")  
Mika Malone, Meketa  
Paola Nealon, Meketa  
David Morse, K&L Gates LLP

Board Chair Steve Juarez called the meeting to order at 11:03 a.m.

**Agenda Item 1 – Approval of the Minutes of the February 1, 2018 Meeting of the California Secure Choice Retirement Savings Investment Board (ACTION ITEM)**

Public Comment

None

Board Action

Motion to approve the minutes of the February 1, 2018 meeting of the California Secure Choice Retirement Savings Investment Board (“Board”).

MOTION:	Jacqueline Wong-Hernandez	SECONDED:	Edward De La Rosa
AYES:	Edward De La Rosa, Heather Hooper, Karen Greene Ross, Steve Juarez, Robert Purcell, William Sokol, Dora Westerlund, Jacqueline Wong-Hernandez		
NOES:	None		
NOT VOTING:	Yvonne Walker		
ABSTAIN:	None		
RECUSE:	None		
ACTION:	Motion Passes		

**Agenda Item 2 – Executive Director’s Report (INFORMATION ITEM)**

Executive Director Katie Selenski provided the Board an update on significant items including staffing, budget, the strategic plan, branding, outreach planning and foundation support, engagement with researchers; and the development of a comprehensive written history of the California Secure Choice Retirement Savings Program (“CalSavers” or “the Program”).

Chairman Steve Juarez asked Executive Director Selenski to provide an agenda item once a year outlining the program budget.

Public Comment

None

**Agenda Item 3 – Legal Update (INFORMATION ITEM)**

David Morse of K&L Gates, LLP noted he had no significant items to discuss with the Board.

Chairman Steve Juarez asked Mr. Morse to share his impression from a recent meeting between senior officials at the U.S. Department of Labor and representatives of programs similar to CalSavers. Mr. Morse described the meeting as cordial and productive.

Public Comment

None

*The chair decided to consider agenda item 4 later in the agenda.*

## **Agenda Item 5 – Presentation of Investment Beliefs and Draft Investment Policy Statement (INFORMATION ITEM)**

Deputy Director Brian Gould introduced the Board’s investment consultants Mika Malone, Paola Nealon, and Paul Cowie of Meketa. The investment consultants presented a draft investment policy statement which included the investment beliefs discussed by the Board during the February 1, 2018 Board meeting.

The Board discussed the roles and responsibilities of the Board, program staff, and the investment consultant. The Board also discussed the processes for monitoring performance of the investment manager(s), how investment options could be replaced, and directed Meketa to incorporate conflicts of interest language regarding solicitation by investment managers into the draft investment policy statement. Board member William Sokol requested that a comprehensive protocol regarding Board Member communications with industry be developed in the near future.

The Board also discussed the investment option categories to be incorporated into the investment policy statement and the request for proposals for program administration and investment management (“RFP”) and the importance of selecting appropriate default investment options.

Chair Juarez noted the Board will review and consider taking action to adopt the investment policy statement at the March 26, 2018 Board meeting.

### **Public Comment**

Nari Rhee, Director of the Retirement Security Program at the UC Berkeley Labor Center, commented on the importance of selecting appropriate default options and discussed examples of similar state-sponsored workplace retirement programs in other countries: the Superannuation program of Australia and the NEST program in the United Kingdom. Ms. Rhee cautioned too much detail in financial education can be counterproductive and intimidating for participants.

## **Agenda Item 6 – Resolution No. 2018-02: Authority to Execute a Contract for Legal Services (ACTION ITEM)**

Executive Director Selenski provided the Board with a summary of the procurement process for external legal services. Ms. Selenski noted the evaluation committee reached unanimous consensus on the scores for the firms bidding on the contract. The selection committee agreed to award the contract to K&L Gates LLP.

### Board Action

Motion to approve Resolution No. 2018-02: Authority to Execute a Contract for Legal Services.

MOTION:	William Sokol	SECONDED:	Yvonne Walker
AYES:	Edward De La Rosa, Heather Hooper, Karen Greene Ross, Steve Juarez, Robert Purcell, William Sokol, Yvonne Walker, Dora Westerlund, Jacqueline Wong-Hernandez		
NOES:	None		
NOT VOTING:	None		
ABSTAIN:	None		
RECUSE:	None		
ACTION:	Motion Passes		

**Agenda Item 7 – Authority to Release a Request for Proposals for Program Administrator and Investment Manager (ACTION ITEM)**

Executive Director Selenski introduced program consultant Andrea Feirstein, AKF. Ms. Feirstein presented the draft RFP for program administrator and investment manager to the Board, beginning with a summary of changes made to the RFP since the last meeting.

Ms. Feirstein’s presentation began with the changes pertaining to operation of the customer service call center. The RFP asks bidders to submit cost proposals for three operational models for the call center, each with different roles for the third-party administrator (“TPA”):

- The TPA is responsible for all call center services for the duration of the contract term and any extensions thereof;
- The TPA is responsible for all call center services until the first anniversary of the Program launch and then transitions the call center services to the State in years two and three of Program operations, unless otherwise directed by the Board; and
- The TPA will provide start-up and ongoing training assistance to the State, which manages and operates the call center with state employees from the first day of operation of the Program.

Ms. Feirstein noted proposals must describe support that could be provided by the TPA to transition services to state employees; the impact any of the three operational models would have on the timeline for launching the program; and any added complexity or cost under any of the scenarios.

The Board proceeded to discuss the following topics regarding the different models for call center operation:

- the need for ongoing training and support that would be required for a state employee-operated call center;
- the possibility of a bifurcated call center structure where some calls are handled by state employees while others are handled by the TPA;
- the complexity created by asking bidders to provide responses and pricing for so many alternatives;
- the timeframe for the operational model which requires a TPA to transition services to state employees; and

- the appropriateness of the language in sections 1.2 and 1.3 of the draft RFP and options for amending the sections.

Ms. Selenski noted staff will complete an analysis of the costs and practical considerations of using state employees to operate a call center by mid-April 2018, before the Board will consider proposals for the RFP.

Based on concerns vocalized by some Board members during the discussion, Chair Juarez made a motion to amend sections 1.2 and 1.3 of the RFP, where the original text stated “It is the intention of the Board to manage the call center ultimately using State employees”, to instead state “While it is the Board’s intention to manage the call center ultimately using State employees, that decision will rest upon consideration of cost, liability and other applicable factors.” Ms. Walker raised the possibility of potential litigation against the Board if the call center services were to be contracted out to the TPA.

In abstaining from voting, Mr. De La Rosa noted his concerns that the edit to the RFP would preserve the clause “It is the Board’s intention to manage the call center ultimately using State employees.” Mr. De La Rosa cited his fiduciary obligation to serve the roughly seven million potential participants and deliver the lowest possible fees to those future participants.

Board Action

Motion to amend sections 1.2 and 1.3 of the RFP to read “While it is the Board’s intention to manage the call center ultimately using State employees, that decision will rest upon consideration of cost, liability and other applicable factors.”

MOTION:	Steve Juarez	SECONDED:	Jacqueline Wong-Hernandez
AYES:	Karen Greene Ross, Heather Hooper, Steve Juarez, Robert Purcell, Dora Westerlund, Jacqueline Wong-Hernandez		
NOES:	Yvonne Walker		
NOT VOTING:	None		
ABSTAIN:	Edward De La Rosa, William Sokol		
RECUSE:	None		
ACTION:	Motion Passes		

The Board continued to discuss other aspects of the RFP, including the contract term; addition of specificity regarding the types of investment options bidders should include in their proposal; additional detail regarding development of a mobile application; multi-lingual customer service capabilities; minimum requirements for bidders; outreach and marketing; the types of fee arrangements bidders may include; and changes to the indemnification section.

Public Comment

Mark Herbert, Small Business Majority, thanked the Board and staff for including them in the outreach and education group and noted he is looking forward to continuing to work together.

Sarah Zimmerman, SEIU California, reminded the Board of previous discussions regarding the possibility of investing all funds in a capital preservation fund for the years of operation. Ms. Zimmerman suggested such investment options could keep investment costs low. Ms. Zimmerman expressed concerns about the changes to the language requirements in the RFP and reminded the Board of the extensive stakeholder feedback regarding the importance of making customer service and Program materials available in many languages. Ms. Zimmerman also asked if the pre-bidding conference listed in the RFP timeline was open to the public. Staff informed her it will be publically noticed and open to the public.

Board Action

Motion to approve Resolution No. 2018-03: Authority to Release a Request for Proposals for Program Administrator and Investment Manager.

MOTION:	William Sokol	SECONDED:	Heather Hooper
AYES:	Edward De La Rosa, Heather Hooper, Karen Greene Ross, Steve Juarez, Robert Purcell, William Sokol, Yvonne Walker, Dora Westerlund, Jacqueline Wong-Hernandez		
NOES:	None		
NOT VOTING:	None		
ABSTAIN:	None		
RECUSE:	None		
ACTION:	Motion Passes		

*The chair decided to consider agenda item 4 at this time.*

**Agenda Item 4 – Discussion of Board Governance Policy (INFORMATION ITEM)**

Executive Director Selenski advised the Board that although this item was listed on the agenda as an information item, the Board could vote to adopt the board governance policy at this meeting if they so choose. Ms. Selenski introduced program consultant Eric Douglas who facilitated the discussion of the proposed board governance policy by soliciting questions from the Board. The Board discussed:

- communications about the Program by Board members to the public and the role of the Executive Director to coordinate media relations;
- protocol regarding Board Member communications with industry, particularly how such rules may differ before, during, and after a procurement effort; and
- the role of the Board in hiring and monitoring the performance of the Executive Director.

Board Action

Motion to approve the board governance policy.

MOTION:	Karen Greene Ross	SECONDED:	Edward De La Rosa
AYES:	Edward De La Rosa, Heather Hooper, Karen Greene Ross, Steve Juarez, Robert Purcell, William Sokol, Yvonne Walker, Dora Westerlund, Jacqueline Wong-Hernandez		

NOES:	None
NOT VOTING:	None
ABSTAIN:	None
RECUSE:	None
ACTION:	Motion Passes

**Agenda Item 8 – Resolution No. 2018-04: Authority to Initiate Emergency Rulemaking (ACTION ITEM)**

Eric Lawyer, Policy Manager, discussed the process for developing regulations, the processes for developing and adopting regulations and discussed the key updates made to the draft regulations since the Board last reviewed them.

Public Comment

Mark Herbert, Small Business Majority, thanked the Board again for inviting the feedback of small businesses. Mr. Herbert suggested that if a participating business falls below the five employee threshold, the TPA should be required to notify the employer.

Board Action

Motion to approve Resolution No. 2018-04: Authority to Initiate Emergency Rulemaking.

MOTION:	Heather Hooper	SECONDED:	William Sokol
AYES:	Edward De La Rosa, Heather Hooper, Karen Greene Ross, Steve Juarez, Robert Purcell, William Sokol, Yvonne Walker, Dora Westerlund, Jacqueline Wong-Hernandez		
NOES:	None		
NOT VOTING:	None		
ABSTAIN:	None		
RECUSE:	None		
ACTION:	Motion Passes		

**Public Comment**

Kristen Loomis, retired librarian and member of SEIU, discussed how she and other librarians perform customer services for members of the public.

**Other Business**

None.

The meeting adjourned at 3:28 p.m.