
NOVEMBER 19, 2018

AGENDA ITEM 4
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Resolution No. 2018-12: Authority to Release a Request for Proposals for Environmental, Social, and Governance (ESG) Investment Option

Background

At the May 21, 2018 the Board approved the Investment Policy Statement (IPS) for the CalSavers Program (Program). The IPS contains a list of investment options the Board intended to offer to CalSavers participants, which included an Environmental, Social, and Governance (ESG) fund. The Board subsequently approved the release of a request for proposal (RFP) for program administration and investment management services that solicited the investment funds that would fulfill the investment options approved by the Board in the IPS. After evaluating all of the responses, the evaluation committee concluded that no ESG fund proposals had an appropriate fee structure and recommended that the Board approve the investment options without the inclusion of an ESG fund at that time.

At the September 24, 2018 meeting, staff provided the Board a plan to solicit an ESG investment option. At the October 16 Board meeting, the Board's investment consultant, Meketa, provided the Board with an overview of the ESG marketplace and led the Board through a discussion to refine the qualities it would like to consider for the ESG fund(s). The Board directed staff to develop an RFP based on its recommendations.

The Board discussion in October focused on clarifying the Board's position on:

- Fund makeup – equity or fixed-income;
- Fund management style – active or passive; and
- Component focus – whether there are particular aspects among the environmental, social, and governance components of ESG that the Board would value over others.

After lengthy review and discussion, the Board determined the best path forward for the solicitation would be to seek a fund that provided a balanced exposure to equity and fixed income. The Board expressed it would prefer an ESG option with fees similar in level to the Program's other existing investment options, but noted such fees might be difficult to secure in this space. The Board directed staff to consider blending a passive fund with low fees and an active fund with a more targeted approach to ESG in order to keep the participant fees as low as possible. This would also include the possibility of utilizing funds from different fund managers to blend into a combined white label option. The Board also expressed it would not value any ESG components over any other and would therefore seek an ESG fund without a particular focus on one aspect of environmental, social, or governance matters

Scope of Work

The RFP will request that firms provide an ESG investment option(s) to CalSavers participants. The fund manager(s) will be required to provide to the Program all necessary data for evaluation of the fund on a quarterly basis. In addition, the manger(s) will provide updates to the Board on the current ESG landscape and trends as requested, but no less than annually. The fund manager shall also provide necessary investment descriptions in multiple languages consistent with other translated materials.

Contract Term

Any agreement(s) entered into pursuant to this RFP will become effective upon approval by the Department of General Services. The term of the agreement(s) will be three (3) years with three (3) one-year extension options the Board may choose to exercise, for a possible total term not to exceed six (6) years. This contract is considered a zero dollar contract for the Program because the firm(s) will be compensated by fees levied on participants.

Expected Timeline

If the Board approves release of the RFP at the November 19, 2018 Board meeting, staff estimate having an ESG investment option selected by the end of February 2019, as shown in the table below, and available to participants by the end of the pilot.

Date	Action
December 3, 2018	RFP Available to Prospective Bidders
December 12, 2019, 4pm PT	Deadline for Written Question Submission
December 19, 2019, 1pm PT	Answers to Written Questions Distributed
January 11, 2019, 4pm PT	Deadline for Proposal Submission
January 14-18, 2019	Evaluation of Proposals
January 22-25, 2019	Possible Finalist Interviews
January 28, 2019	Notice of Intent to Award
February 8, 2019	Contract Award

Evaluation

All proposals will be reviewed by an evaluation committee established by the Executive Director and composed of staff and up to two Board member volunteers. The Board’s investment consultants, Meketa, will provide additional analysis and expertise during review of the proposals. Bidders will be evaluated based upon the quality of their firm and personnel; fund management and performance; and proposed fees. As part of the evaluation process, the Program may elect to hold finalist interviews, and the scoring will be updated to reflect the additional category, holding cost at 30% of the total score.

Scored Category	Total Possible Points	
	Without Interview	With Interview
Qualifications and Experience of the Firm/Personnel	35	35
Fund Management and Performance	35	35
Cost	30	39
Total Possible Points First Phase	100	109
Optional Interview	---	20
Total Possible Points	100	129

Performance

Fund performance will be monitored against a benchmark to be selected once the ESG fund is in place. Performance and analysis metrics will be provided to the Board on a quarterly basis consistent with the IPS.

Resolution No. 2018-12

Resolution No. 2018-12, if approved by the Board, would express Board approval for the release of RFP no. CSCRSIB06-18 for an ESG Investment Option(s).

Staff recommendation

Staff recommend the Board approve resolution No. 2018-12 to release RFP No. CSCRSIB06-18 for an ESG Investment Option.

Attachments

- Attachment 1: RFP No. CSCRSIB06-18
- Attachment 2: Resolution No. 2018-12