
SEPTEMBER 29, 2014

AGENDA ITEM 05
ACTION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

Market Analysis and Feasibility Study Request for Proposals – Discussion of Timeline and Process

Presenter

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Background

At the July 28, 2014 Board meeting, Secure Choice staff presented a draft RFP for the Market Analysis and Feasibility Study as a first reading. We plan to present a revised RFP to the Board in October, and to release the RFP shortly thereafter. With this agenda item, staff is seeking direction from the Board on how to proceed with revising the RFP.

Proposed Timeline/Schedule of Activities

The first draft presented to the Board did not include dates in the timeline/schedule of activities because we were less certain than we are now about how soon we would release the RFP. Below is the proposed timeline for the Board to consider.

Date	Action
Oct. 31, 2014	RFP is advertised on the California State Contracts Register (CSCR), posted on the Secure Choice website,, sent directly to those on the Secure Choice listserv and prospective bidders, advertised in one or two selected publications.
Nov. 14, 2014	Written Questions Submittal Deadline
Nov. 21, 2014	Answers to Written Questions Distributed
Jan 2, 2014	Final Date for Proposal Submission
Jan. 3 – 25, 2014	Evaluation and Scoring of Proposals
Jan. 26, 2015	Board interviews finalists and issues a notice of intent to award
Feb. 27, 2015	Contract start date (pending DGS approval)

Evaluation and Scoring

The Evaluation and Scoring Committee will consist of Secure Choice staff and Board members Yvonne Walker and Heather Hooper. The Committee will score the proposals based on a set of predetermined criteria. Based on the results, the Committee will select the three highest scoring proposals for the Board to interview.

State contracting rules require the cost component to be at least 30 percent of the total score. The lowest cost proposal will be awarded the maximum cost points (30 points). Other proposals will be awarded cost points proportionally in relation to the lowest cost proposal based on the following calculation:

$$\begin{aligned} &(\text{lowest cost proposal} / \text{other cost proposal}) = (\text{factor}) \\ &(\text{factor}) \times \text{maximum cost points} = \text{cost points for other proposal} \end{aligned}$$

EXAMPLE: A maximum of 30 cost points are available.

Lowest cost proposal = \$75,000
Other cost proposal = \$100,000

$$\begin{aligned} &\$75,000 / \$100,000 = 3/4 \\ &3/4 \times 30 \text{ maximum cost points} = 22.5 \text{ cost points for other proposal} \end{aligned}$$

Secure Choice staff is seeking direction from the Board on the weight to give each of the various scoring criteria. Assigning more weight to the Board interview increases the impact of the interview on the outcome, but also means cost will be weighted more heavily than the technical components in the process of selecting finalists to be interviewed by the board. Below are several alternatives for the Board to consider:

Option A. Board interview is worth a maximum of 30 points. Work plan/schedule is weighted more heavily than experience / qualifications.

Rating/Scoring Criteria	Maximum Possible Points
Cost	30
Experience and qualifications	15
Work Plan and Schedule	25
Board Interview	30
Total	100

Option B. Board interview is worth a maximum of 30 points. Both technical components are weighted equally.

Rating/Scoring Criteria	Maximum Possible Points
Cost	30
Experience and qualifications	20
Work Plan and Schedule	20
Board Interview	30
Total	100

Option C. Board interview is worth a maximum of 50 points. Work plan/schedule is weighted more heavily than experience / qualifications.

Rating/Scoring Criteria	Maximum Possible Points
Cost	30
Experience and qualifications	5
Work Plan and Schedule	15
Board Interview	50
Total	100

Option D. Board interview is worth a maximum of 50 points. Both technical components are weighted equally.

Rating/Scoring Criteria	Maximum Possible Points
Cost	30
Experience and qualifications	10
Work Plan and Schedule	10
Board Interview	50
Total	100

Scope of Services and Minimum Qualifications

Subsequent to the July 28, 2014 Board meeting, Secure Choice staff revised the scope of services for the RFP in order to narrow the scope to what the statute requires for the market analysis and feasibility study. The revised scope of services is included as attachment #1 to this memo. The original is included as attachment #2.

In addition, Secure Choice staff has received comments on the draft RFP. Those comments, along with Secure Choice staff’s responses and recommendations are presented in the table below. We are seeking Board input with respect to addressing the comments.

Public Comments Received in Response to the Draft RFP Presented at the July 28 meeting

Comment	Secure Choice Staff Response
1. The study must determine that the employer doesn’t bear the risk and fiduciary liability.	Employers are statutorily held not liable under the Government Code section 100034 and the program cannot be implemented if it is an employee benefit plan under ERISA.
2. The study should examine how improper transmittal of payments would be handled and ensure there is no liability for the employer.	The scope of services in the draft RFP presented at the July 28, 2014 meeting requires the work to include a recommendation for establishing payroll deduction contributions and assessing how to do so in a way that

Comment	Secure Choice Staff Response
	minimizes costs and administrative burdens for the employer.
3. Employers should be consulted throughout the [study] process.	We agree. The Board may want to consider adding a new paragraph to the scope of services requiring proposers to agree to help the staff and Board communicate with, and receive input from, stakeholder groups as needed.
4. The study should review all banking, tax, finance and securities laws to ensure the Program would comply.	The Board will contract with a law firm to help with the legal aspects of the work. The law firm will assess compliance with applicable laws for the purpose of assisting the board with the conditions under Government Code section 100043 and assist with legal aspects of the study, including ensuring the contractors who conduct the market analysis / feasibility / program design study do not recommend a program design that would not comply with the law. Additionally, the scope of services in the draft RFP for the market analysis / feasibility / program design study requires proposers to agree to coordinate their work with the Board's other contractors as appropriate or necessary.
5. The study should examine how to educate employees about the program and ensure they know employers are not on the hook and not responsible.	California Government Code section 100014 specifies a list of information and disclosures that must be included in an employee information packet disseminated through the Employment Development Department, including a disclosure that "employers are not in a position to provide financial advice," "employers are not liable for decisions employees make pursuant to Section 100034" and "the program is not an employer-sponsored retirement plan."
6. The study should recommend a process for employees to resolve disputes	The study is required to determine whether the necessary conditions for implementation of the

Comment	Secure Choice Staff Response
	<p>California Secure Choice Retirement Savings Trust Act can be met, and to comply with the conditions under Government Code section 100043. The Board can consider asking its law firm for information about dispute resolution policies for Individual Retirement Account plans if it chooses to do so.</p>
<p>7. Several comments suggested requiring proposers to make recommendations about additional program features:</p> <ul style="list-style-type: none"> • Whenever “investment options” is mentioned in the scope of services add “if any” to make it clear that the study will consider the possibility of offering a single investment vehicle with no choice of other options. • Require proposers to make recommendations about whether participants should be allowed to borrow against their account balances. • Require proposers to make recommendation about converting account balances into a steady stream of income during the distribution phase. • Require proposers to make a recommendation about the policy the Program should adopt with respect to rollovers. 	<p>If the Board desires, these can be added to the scope of services. It is important to keep in mind, however, there are certain features of Individual Retirement Accounts and Individual Retirement Annuities (IRA) that are subject to the U.S. Internal Revenue Code, such as borrowing against accounts, rollovers, and withdrawals. The Program must require and disallow certain things in order to be an IRA, which is one of the necessary conditions for program implementation.</p>
<p>8. Require proposers to consider “ease of administration for employers” in their recommendation about automatic escalation features.</p>	<p>The Board should consider adding “ease of administration for employers” as a consideration for recommendations about automatic escalation features.</p>

Comment	Secure Choice Staff Response
<p>9. Clarify the meaning of “recommend and <i>assist</i> with legislation as may be advisable or required.”</p>	<p>Change to, “Advise Secure Choice Staff and the Board’s other contractors on issues related to drafting legislation as may be advisable or required.”</p>
<p>10. For the requirement that the proposer coordinate its work with the Board’s other contractor(s), add language to specify this means “the provider of legal services as well as any other contractors that might be selected to perform parts of this Request for Proposals.”</p>	<p>This clarifying language could be added.</p>
<p>11. Add a requirement that the proposer “examine the feasibility and potential advantages and disadvantages of utilizing CalPERS to manage the investment of some or all of the Program’s assets.</p>	<p>The scope of services in the draft RFP presented to the Board in July (attachment #2) included a requirement to recommend the type of entity or organization that should be the Program administrator and the duties of the Program administrator. Secure Choice staff removed that language from the revised scope of services (attachment #1) because we felt making recommendations about the types of entities or organizations who should administer the Program, manage and invest Program money and perform other services related to the operations of the Program go beyond the scope of the market analysis and feasibility study.</p> <p>If the Board wishes to require proposers to make recommendations about the entities or organizations who should manage Program money, Secure Choice staff recommends using the language of California Government Code section 100004(c), which refers to the Treasurer, the Board of Administration of the Public Employees’ Retirement System and</p>

Comment	Secure Choice Staff Response
	private money managers.
<p>12. Include a requirement that the proposer recommend technology and information systems to be utilized to implement the recommended processes for the administration and management of the plan.</p>	<p>This requirement cannot be included. This is a non-IT RFP. Different rules apply for IT RFPs and contracts.</p>
<p>13. With respect to the minimum qualifications, remove the requirement that proposers must have experience conducting market analysis/research on low income workers and small employers <i>in the State of California</i>.</p>	<p>We recommend the Board consider deleting “in the state of California” from this sentence in an effort to obtain a larger pool of proposals and thereby increase competition.</p>

Next Steps

Based on direction provided by the Board, Secure Choice staff will revise the RFP and present it to the Board at its October 27, 2014 meeting. If the Board approves the RFP, or approves it with minor revisions, the RFP will be released on October 31, 2014.

Attachments

Attachment #1 – Revised Scope of Services
Attachment #2 – Scope of Services included in the Draft RFP presented at the July 28, 2014 meeting

Revised Scope of Services

1) Scope of Services

a) Program Design

- i. Recommend the design, implementation, and administration of the Program that will maximize outreach to eligible employers and participation by eligible employees, which includes the following:
 - The Program accords with best practices for retirement savings vehicles, maximizes participation and savings among eligible employees, ensures benefits are portable, and maximizes ease of administration for participating employers. Best practices should include findings or research by experts, including behavioral economists and academics, on retirement savings behavior.
 - Examination of investment options, including number and type, to be offered by the Program.
- ii. Assess how to determine the eligibility of an employer, employee, or other individual to participate in the Program.
- iii. Evaluate and recommend a means of determining whether employers do not provide an employer-sponsored retirement plan to their employees.
- iv. Recommend the enrollment process of participants, including termination of participation and election to opt-out.
- v. Recommend how to establish payroll deduction contributions and assess how to minimize cost and administrative burden to employers.
- vi. Make recommendations on the default contribution rate, and maximum and minimum contribution amounts.
- vii. Recommend whether automatic escalation of contributions should be included in the plan and, if so, recommend the period and percentage automatic escalation that best achieves the goals of maximizing participation and savings among eligible employees.
- viii. Recommend rollover and transfer processes, withdrawal requirements, and the extent the Program should limit, and the best means of preventing, pre-retirement withdrawals.
- ix. Recommend a process by which an individual or an employee of a nonparticipating employer may enroll in and make contributions to the Program.
- x. Make other recommendations for and assessments of the Program for purposes of the market analysis, financial feasibility study, and legal feasibility study.

b) Market Analysis

Conduct a market analysis to determine whether the necessary conditions for implementation of the Program can be met, including, but not limited to, likely participation rates, participants' comfort with various investment vehicles and

degree of risk, contribution levels, and the rate of account closures and rollovers.

- c) Financial Feasibility Study
 - i. Assess whether the Program will be self-sustaining.
 - ii. Recommend the amount of funds necessary to implement the Program.
 - iii. Recommend a cost and fee structure that ensures the Program is both self-sustaining, simple to administer, and low-cost to participants.
- d) Coordinate its work with the Board's other contractor(s) as appropriate or necessary.
- e) Recommend and assist with legislation as may be advisable or required.
- f) Attend Board meetings (approximately one per month) and other meetings as requested.

A) Minimum Qualifications for Proposers

Proposers must meet the following minimum qualifications:

1. At least five (5) years of experience with conducting market analyses and feasibility studies for employee benefit plans, and designing employee benefit plans. Experience must include actuarial or other financial expertise, in projecting number and level of participation that would be sufficient for a program or plan to be self-sustaining; and experience conducting market analysis/research on low income workers and small employers in the State of California.
2. If applicable, must hold and maintain all licenses and registrations required by applicable federal and state laws for businesses offering investment and municipal advisory services. All such licenses and registrations must be current and in good standing.
3. Must identify the name, business address, email address, and phone and facsimile numbers of the person who will serve as the lead, point of contact, and have ultimate responsibility to the State for the proposal and work under the contract. Services may be performed by more than one firm, but the proposal must identify one firm by its legal business name that has ultimate responsibility to the State for the proposal and work under the contract, and the proposal must be submitted by that firm. The legal business names of all firms that will provide services under the contract must also be provided.

Scope of Services included in the Draft RFP presented at the July 28, 2014 meeting

1) Scope of Services

a) Market Analysis

- i. Conduct a market analysis to determine whether the necessary conditions for implementation of the Program can be met, including, but not limited to, likely participation rates, participants' comfort with various investment vehicles and degree of risk, contribution levels, and the rate of account closures and rollovers.

b) Program Design

- i. Recommend the type of entity or organization that should be the Program administrator and the duties of the Program administrator.
- ii. Recommend the design, implementation, and administration of the Program that will maximize outreach to eligible employers and participation by eligible employees, which includes the following:
 - The Program accords with best practices for retirement savings vehicles, maximizes participation and savings among eligible employees, ensures benefits are portable, and maximizes ease of administration for participating employers. Best practices should include findings or research by experts, including behavioral economists and academics, on retirement savings behavior.
 - Assessment of how to arrange for pooled investment of assets.
 - Examination of investment options, including number and type, to be offered by the Program.
 - Assessment of how to submit progress reports and status reports to participating employers and eligible employees.
 - Assessment of how best to disseminate educational information concerning saving and planning for retirement, including recommendations on the design, and process for disseminating, an employee information packet.
 - Assessment of how best to disseminate information concerning the tax credits available to small business owners for establishing new retirement plans including the federal Retirement Savings Contribution Credit.
- iii. Assess how to determine the eligibility of an employer, employee, or other individual to participate in the Program.
- iv. Recommend how to establish payroll deduction contributions and assess how to minimize cost and administrative burden to employers.
- v. Evaluate and recommend a means of determining whether employers do not provide an employer-sponsored retirement plan to their employees.

- vi. Design and establish the process for the enrollment of Program participants.
 - vii. Develop a process by which an individual or an employee of a nonparticipating employer may enroll in and make contributions to the Program.
 - viii. Make recommendations on the default contribution rate.
 - ix. Recommend whether automatic escalation of contributions should be included in the plan and, if so, recommend the period and percentage automatic escalation that best achieves the goals of maximizing participation and savings among eligible employees.
 - x. Recommend the extent the Program should limit, and the best means of preventing, pre-retirement withdrawals from Secure Choice retirement accounts.
 - xi. Recommend a type of default or automatic investment option for participants who do not make an affirmative decision.
 - xii. Utilizing the results of the market analysis and research on best practices, work with Secure Choice to develop an investment policy statement that specifies the Program's overall investment philosophy and objectives, and how the plan will determine what investment options to offer.
 - xiii. Examine the feasibility of procuring insurance against any loss in connection with the property, assets, or activities of the trust, and secure private underwriting and reinsurance to manage risk and insure the retirement savings rate of return. Examine the feasibility of ensuring that an insurance, annuity or other funding mechanism is in place at all times that protects the value of individual's accounts, and that protects, indemnifies, and holds the state (State of California and the Board) harmless at all times against any and all liability in connection with funding retirement benefits.
- c) Financial Feasibility Study
- i. Assess, based on the market analysis, whether the Program will be self-sustaining.
 - ii. Recommend the amount of funds necessary to implement the Program.
 - iii. Recommend a cost and fee structure that ensures the Program is both self-sustaining, simple to administer, and low-cost to participants.
- d) Coordinate its work with the Board's other contractor(s) as appropriate or necessary.
- e) Recommend and assist with legislation as may be advisable or required.
- f) Attend Board meetings (approximately one per month) and other meetings as requested.

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2. If applicable, must hold and maintain all licenses and registrations required by applicable federal and state laws for businesses offering investment and municipal advisory services. All such licenses and registrations must be current and in good standing.
3. Must identify the name, business address, email address, and phone and facsimile numbers of the person who will serve as the lead, point of contact, and have ultimate responsibility to the State for the proposal and work under the contract. Services may be performed by more than one firm, but the proposal must identify one firm by its legal business name that has ultimate responsibility to the State for the proposal and work under the contract, and the proposal must be submitted by that firm. The legal business names of all firms that will provide services under the contract must also be provided.