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SEPTEMBER 25, 2017

AGENDA ITEM 7  
INFORMATION ITEM

CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS INVESTMENT BOARD

*Third-Party Administrator Models*

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Program consultant AKF Consulting will provide a framework for considering advantages and disadvantages of various third-party administrator models, including whether or not the third-party administrator would also provide investment management and/or marketing services, in addition to recordkeeping services. The consultant will also discuss the related topic of choosing an operational model for the Program and its relationship with the Employment Development Department (EDD). Building off of the previous feasibility study, the consultant will describe the features of a “direct servicing” operational model versus an “EDD as intermediary” operational model. The discussion will aid staff and AKF Consulting in planning the request for proposals to be issued for the third-party administrator to be considered by the California Secure Choice Retirement Savings Investment Board (“Board”) at the December 18, 2017 meeting.

***Attachment***

- Third-Party Administrator Models



# **California Secure Choice Retirement Savings Investment Board**

## **Agenda Item 7: Third-Party Administrator Models**

**September 25, 2017**

# Required Third Party Services

- A variety of Services are required to launch and manage Secure Choice:

Required Services		Description
Program Administration	Recordkeeping	Platform services used to administer the Plan in a safe and compliant manner
	Customer Service	People who process financial and administrative transactions and answer phone, internet or written inquiries from employees
	Banking	Services that process contributions to and withdrawals from accounts
	Custody*	Service that holds securities on behalf of an employee
Investment Management		Services related to the management of funds invested in the Plan
Marketing		Development and creation of materials (electronic and physical) to educate employees and promote the Plan
Distribution		People “in-the-field” who promote the Plan

\*May be included in Investment Management in some cases

## Option 1: Bundled Services

- Hire a single Program Manager to provide required Services
  - Services can be performed by the firm, its affiliates or through subcontractors
- Program Manager is responsible for delivery and quality of all Services

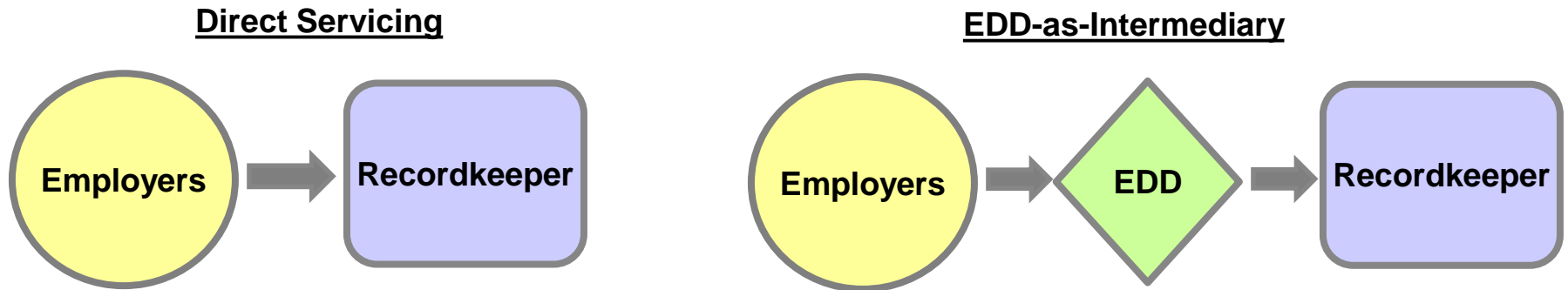
Benefits	Challenges
Board enters into a single contract	Finding a provider that will perform all Services at a high quality level
Single point of contact for all Services	Board is typically removed from subcontractors
Overall costs might be lower (e.g., where investment fees can offset administration fees)	Difficult to identify cost subsidies

## Option 2: Unbundled Services

- Engage distinct providers for any of the required Services, e.g.:
  - Program Administration
  - Investment Management
  - Marketing
- Some Services will naturally be bundled, e.g.:
  - Program Administrator typically provides Recordkeeping, Customer Service and Banking
  - Investment Management often includes Custody

Benefits	Challenges
Control over each contractor and the work it provides	Multiple contracts
Program Service flexibility	Need for Staff to manage specific expertise
Potentially more investment management Service providers	Interface between unrelated Service providers

# Possible Operational Models



- **The direct servicing model:**
  - **Eliminates an added-layer of reporting and processing**
  - **Offers flexibility on auto-enrollment, auto-escalation and withdrawal processing**
  - **Reduces startup costs otherwise needed for EDD-recordkeeper interface**
  - **Avoids time-lags on enrollment and contributions**
  - **Provides direct customer service with administrator**
  - **Has proven itself through the college savings market**