

CRSA PD&I Subcommittee Report - 4/20/18

The Plan Design and Investment Committee reviewed the RFI responses received from 4 companies, each of which is a leader in the retirement services business. The companies were Prudential, Bank of New York Mellon, Ascensus (program administrator for the Oregon & Illinois Secure Choice Plans), and Alliance Bernstein.

As a reminder this RFI process was meant to seek out input from the retirement industry regarding our program as outlined by our enabling legislation. This will provide us with a better understanding of the industry's general interest in our program, as well as a chance to review any high level issues or concerns that participating firms might raise.

The RFI asked some very open ended questions, for example "how would your firm structure the program" and "what do you see as challenges in administering such a program". What we received back were some very thoughtful responses that will help us plan for our design and also inform our RFP process. For example, ease of use for both employers and employees, the importance of participant education, and an emphasis on simplicity and low cost were found to be common themes.

The RFI also asked detailed questions regarding our specific program requirements such as the need for "automatic rotational assignment of participants to multiple target date funds" or "the requirement for default into a lifetime income option and immediate distributions". Responses to those more nuanced questions varied, and firms raised some challenges that the design committee will consider as we develop certain aspects of the program.

In discussing this program's legislative requirement of rotationally assigned target date funds, one firm brought up the potential for operational complexity, additional cost, and the risk of measurable disparity in the rate of returns between participants of the same age and same program start date. Having raised those points (points which this committee has discussed in the past), we plan to seek out design options that will minimize any negative impacts of rotational assignment. That being said, the RFI responses did give us the impression that these firms will be able offer services that address the needs of this program as outlined by the CRSA's implementing statute.

There was one question in the RFI that the committee spent a good deal of time discussing focused around the merits of a bundled vs. an open architecture (open platform) approach. RFI responses around that question helped to better define what is meant by those terms. All providers

propose the bundling of the administrative functions i.e. custody, recordkeeping, reporting, and customer service. The term “open architecture” described an approach to integrating 3rd party managed investment products. For example, BNY Mellon and Ascensus were able to perform all necessary administrative functions, but those firms do not offer their own investments therefore investment options would be integrated separately. Prudential is also able to perform all necessary administrative functions, but in addition Prudential does offer its own Prudential managed funds on its platform.

When soliciting RFP responses, we believe that either a bundled or open architecture solution could work for this program, however it seems that there will be a preference for open architecture which will afford this body the ability to better customize the program to our participant’s specific needs. That being said, we will not preclude a firm from suggesting the use of its own funds if those funds were found to be competitively priced and appropriate.

Our next step is to begin working with the newly hired executive director and outside counsel in order to craft the RFP that fits within the framework of this program and the CRSA’s governing documents, which are to be established in the near term.