



Five Tips for a Successful Advisor RFP Process

For a plan sponsor, creating and executing a productive advisor RFP process doesn't have to be intimidating.

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For many years, plan sponsors have used a formal request for proposal (RFP) process to identify prospective recordkeepers, third-party administrators and investment managers, and to benchmark and validate incumbent providers. Recently, they have started taking the same approach when hiring retirement plan advisors and benchmarking an existing advisor's services and fees. In fact, the advisor RFP appears to be on a fast track to become the preferred method for conducting an advisor search or documenting that an existing advisor is qualified to meet an individual plan's specific needs.

At CAPTRUST, we believe that a well-crafted, well-run advisor RFP process can help plan sponsors identify and prioritize their most important issues, gather intelligence on advisory services available in the market, help simplify decision making and document an important fiduciary process. The following five tips and best practices — gleaned from our experience responding to more than 700 advisor RFPs over the past 10 years — can help make what might seem like a daunting process seem much more manageable.

TIP #1: KNOW YOUR GOALS

There are two requirements for the successful preparation of an advisor RFP. The first is to clearly identify the goals of the RFP process itself. Goals may include new advisor selection, existing advisor replacement, fee and service benchmarking or market intelligence gathering. The second requirement is to view your RFP through the lens of your plan and participants. Current market or advisory service intelligence is only as good as it is relevant to your plan.

We recommend creating a committee comprised of key retirement plan stakeholders to flesh out and document the scope of services to be included in the RFP. The role of this group is to think critically about the needs of your organization, plan, and participants. Some initial questions we would pose to start the discussion include:

- Do you plan to hire or replace a retirement plan advisor or is industry benchmarking the primary objective?
- How broad or narrow is the scope of services you are looking for?
- Are you simply looking for an investment consultant, or for someone who can also address plan design, participant engagement, vendor selection and fiduciary issues?
- Are you looking for an ongoing relationship with a retirement plan advisor or are you considering a one-time project?
- Do you want to outsource some of your fiduciary liability?
- If you have multiple plans, are you looking for a single retirement plan advisor for all of them?

Since it may lead to a long-term hiring decision or other permanent changes to your retirement plan, this is not a part of the project to rush through. We have seen advisor RFPs fail to achieve the desired outcome because they lacked a clear outcome, were poorly thought out or were facilitated by committees that simply went through the motions without an appropriate investment of time to identify their goals.

TIP #2: GET PERSPECTIVE ON YOUR PLAN

The next important task is to gather information to document your retirement plan's current state. A good starting point is to have the committee review and analyze the following documents:

- Investment lineup
- Quarterly investment review
- Annual plan review
- Investment policy statement
- Fee disclosure
- Current service provider agreements
- Number of participants and demographic reports

These documents will help you determine which services are required and which are optional — and, in turn, help you formulate questions regarding the services your plan will be requesting. For example, your annual plan review and quarterly investment

review should help identify service gaps or areas that need improvement — such as low deferral rates, poor investment performance or top-heavy issues, for example — that should prompt the addition of questions in the appropriate section of the RFP. The advisor RFP process is an excellent opportunity to evaluate and improve a qualified retirement plan, both for the company and plan participants.

TIP #3: ASK THE RIGHT, DETAILED QUESTIONS

Your ability to target and customize your questions will increase the likelihood of a positive outcome. Based on our experience, we suggest that individual questions be tailored under 10 fundamental categories listed in the accompanying table.

Keep in mind that these categories provide a starting point for potentially hundreds of questions related to your specific plan and requirements. Two resources that you may wish to review as you develop your advisor RFP include the Retirement Advisor Council's advisor RFP template (available at www.dcpicadvisors.com/advisorsearchrpf.html) and the Department of Labor (DOL) *Fact Sheet* titled "Selecting and Monitoring Pension Consultants— Tips for Fiduciaries" (available on the DOL's website at www.dol.gov/ebsa/newsroom/fs053105.html). These sources are a good starting point for developing individual questions.

TIP #4: CAST A WIDE NET WITH A TIGHT PROCESS

Casting a wide net will increase the likelihood of finding a solid advisor match for your plan. You can develop a potential respondent list through consultation with key plan stakeholders, service providers and industry peers. In addition, financial and retirement industry trade publications publish consultant directories or databases with the names, contact information and services provided that can be an excellent source of candidates. Even your incumbent advisor may offer

suggestions. Recognizing that some candidates may decline to respond, a list of eight to 12 candidates is a good starting number, leaving some room for drop-offs.

The scope of your RFP is one factor that will influence the number of advisors you include. Highly specialized services, limited scope or project work may limit the number of advisors interested, so you will need to start with a longer list. Meanwhile, the opportunity for a broad, multi-faceted relationship will raise the number of eligible partners. Another factor to consider is your capacity to thoroughly review and consider the responses you receive and the time it will take to review them.

Running your RFP process efficiently will also help maximize responses. You can improve the process by specifying how responses should be constructed either through content limitations, the inclusion or exclusion of marketing materials and details for electronic or hard copy submissions.

Finally, to keep the process under control, establish a deadline for respondents to formally express their intent to bid as well as for inquiries about the content, purpose, or process of your advisor RFP. All inquiries received and their responses should be aggregated into a single deliverable and distributed to all respondents who have formally expressed intent to bid, regardless of whether or not they made an inquiry.

On a side note, while selecting the right advisor to help manage your plan may be the objective of your advisor RFP, documenting your process is equally important from a fiduciary liability standpoint. Be sure to track your process, from initial meetings with plan stakeholders through question development, candidate list, review and final selection.

TIP #5: GO BEYOND THE SUPERFICIAL

The responses are in. It's time to dig in and start the review process and begin moving toward a decision. The

FUNDAMENTALS: 10 BASIC CATEGORIES

1	General firm overview	Ownership, history, principal biographies and a high-level menu of services
2	Client experience	Number of clients and assets under care from clients like you, representative client list and references
3	Legal	Current status as registered investment advisor or broker-dealer, outstanding and recent legal proceedings or complaints against the advisor
4	Fiduciary status and services	Scope of services, protections and pricing
5	Investment consulting services	Scope of services, reporting, research capabilities and team
6	Committee/trustee education and training	Advice on meeting minutes and new retirement committee member orientation
7	Provider search experience	Number of providers and searches performed for plans like yours
8	Participant services	Participant communication, education, and advice services
9	Nonqualified plan capabilities	Additional services for key executives and highly compensated employees
10	Technology	Data sources, disaster recovery, business continuity plan and privacy and data security policies

aim of the review process is to identify the handful of three to six advisors with the most experience, success and necessary infrastructure in the areas most critical to your plan and needs. Your immediate reaction is likely to be one of surprise at the wide variation of packaging, heft and thoroughness of the responses you have received. However, a more detailed examination of the first set of responses will give your RFP committee a good sense of the different types of advisory services and business models at your disposal.

You should expect that many of the respondents will offer similar-sounding — if not identical — services, so identifying the strongest candidates will require thoughtful interpretation and analysis of the responses. Some tips on what to look out for in your review process include:

- Look for advisors who frame their responses as solutions or who focus on outcomes rather than just listing their background and capabilities.
- Beware of “check the box” answers to questions where every respondent could say the same thing.
- Look for responses that go deeper either by evidencing an understanding of the challenge you have framed or illustrating the unique capabilities they can bring to your plan.

If you have asked the right

questions, a short list of three to six retirement plan advisors will likely emerge from the pool of respondents. Before you move forward with your chosen finalists, asking a few simple questions will confirm whether or not they are appropriate. These questions could include:

- Is the advisor’s focus aligned with your company’s needs and goals?
- Are they qualified to provide the requested services?
- Do they have the necessary experience to be an advocate for your retirement plan?
- Are there any potential conflicts of interest?
- What are the specific proposed services and associated fees?

To make sure you get the most out of your finals process, provide detailed and specific expectations for the meeting, a formal agenda or format to be followed and a clear idea of the topics you wish to be addressed. You might also consider providing finalists with a current question or issue your plan is facing and ask for their perspective. This exercise will simulate how an advisor would work with you once hired.

Be sure to check at least two references for each finalist and, if possible, conduct a site visit of their offices. While some or all of the finalists will deliver dynamic

sales pitches, be sure to meet your obligations as a plan sponsor by making sound decisions based on facts rather than emotion.

CONCLUSION

While the prospect of drafting and running an advisor RFP process may be intimidating, by following this simple process, this potentially overwhelming project can become attainable. Conducting an advisor RFP will cause you to think critically about your plan and whether the current service model, investment lineup and other plan components continue to effectively meet plan participant needs. The process is also likely to identify potential service gaps or fiduciary issues. Regardless of whether you choose to use an advisor or not, a well-documented advisor RFP process provides support for your decision and demonstrates that, as a plan sponsor, you have covered all the bases. **PC**



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