

*Please note: This is a transcription so there may be slight grammatical errors.*

Greg Middleton:

Hello everyone and welcome to today's webinar, The Latest Trends and Advisor Request for Proposals. We'd like to welcome you to today's webinar, which is focused on best practices for conducting an advisor request for proposal. My name is Greg Middleton and I'm the Senior Director at Captrust. Captrust is a national retirement and investment advisory firm with over 3,500 retirement plan clients, representing more than half a trillion in plan assets.

As a firm, we've responded to nearly 3,500 RFPs since 2002, and those RFPs have come from a multitude of organizations ranging from startups, nonprofits, government entities, public and private corporations, higher education institutions, and Fortune 500 companies for their defined contribution defined benefit, non-qualified retirement plans in addition to corporate cash operating funds, foundation endowments in either a single or multiple plan format with assets ranging from less than a million to over 6 billion.

The purpose of today's discussion is to walk through a step-by-step process of how to conduct an advisor request for proposal or RFP and share some best practices that we've learned based on our experience.

Request for proposals are still extremely relevant in the retirement plan industry. When plan sponsors or committees are considering hiring or replacing an advisor, we'll also talk through topical issues to consider, such as how the recent Secure Act 2.0 could impact your process, if you should include questions about diversity and the rise of artificial intelligence in the overall process.

At the conclusion of the webinar, our goal was to help attendees have a starting point and a clear destination. Joining me for today's discussion is Jim Strodel. Jim is located in our Charlotte, North Carolina office and has been in the industry for nearly 30 years, half of that time at Captrust.

Jim and his team have provided independent and objective advisory services to over 30 clients, ranging from public to private healthcare, higher education, and nonprofits with assets from 10 million to more than 1 billion. During Jim's career, he's participated in more than 200 RFP processes, which will provide our webinar with extremely valuable perspective and insight. Jim, thanks for joining us.

Jim Strodel:

Thank you, Greg. It's a pleasure to be here.

Greg Middleton:

So over the next 45 minutes, Jim and I are going to focus on these two simple topics. First, advisor request for proposal activity, trends and benefits, where we'll discuss why there's been such an increase in advisor RFP activity in the retirement plan industry and why plan sponsors should proceed with the process. And second, we'll provide a step-by-step plan to ensure a Sound Advisor request for proposal process. We'll walk through and explain the major components of an advisor RFP and provide a simple framework and checklist that'll make your process more efficient and easier to manage.

For some organizations, it is a challenging and lengthy process to discuss this topic and get to this point of the process. For the purpose of today's webinar, we're going to assume that each of your organizations has already made the decision to proceed with some form of an advisor RFP. And with that, let's begin.

First slide is on why plan sponsors are conducting advisor RFPs. Based on our experience, this trend has actually been a long building evolution, but when you dig under the layers, there are four primary

reasons why advisor RFPs have become the norm. First changes in their retirement plan, which can be attributed to a number of factors such as overall growth of the plan or if an organization has completed a recent merger or acquisition.

Next, the increased complexity of fiduciary responsibility. This point has been discussed at length over the past few years with respect to the topic of the fiduciary rule. Some organizations may feel they're well equipped to handle those responsibilities, but most do not. Third is just general due diligence, fee and service validation, and an understanding of the market. For many retirement plans, the overall structure and size of their retirement plan has not changed, but they may have been with the same retirement plan advisor for more than five to seven years. Many have received their 408(b)(2)s but don't know how they compare. Some are concerned about the growing number of fiduciary lawsuits and others want to know what the marketplace has to offer.

Finally, the need for a formal process. Plan sponsors need to demonstrate why they made certain decisions. Some clients identify three expert advisors, interview them, document this and make a decision. Others go through the process we're about to describe. Some even include procurement or purchasing, which provides its own challenges, which we'll talk about today. Jim, so I guess we'll ask you, based on your experience, are you seeing any other catalysts which are driving RFP activity?

Jim Strodel:

Yeah, thanks, Greg. I would say what we've seen more recently here is activity driven from corporate actions. That would be companies consolidating, making acquisitions, sometimes divestitures. These types of corporate actions can oftentimes be a catalyst for an RFP, reevaluating relationships, considering new relationships, et cetera.

Also, Greg mentioned this, but I can't emphasize it enough that the litigation has arrived in our space that is in the retirement consulting space, and it's a real issue that everyone has to deal with, and every relationship that you have, you should be considering, are there conflicts in here? How do we feel about conflicts? We feel they've been properly vetted. Everyone should feel very comfortable about the absence of conflicts with regard to investments and record keepers.

Greg Middleton:

Gotcha. Yeah, those are all very, very timely. So regardless of when or why you do it, there are several advantages associated with conducting an RFP. First, it creates the opportunity to align retirement plan goals with the advisory services and business models available. This is good because two major components can change.

First, your organization takes a different approach with respect to the goals of the retirement plan, and second, services within the industry have evolved and there can be better options available. Second, under Jim's point, fiduciary risk mitigation, you have a process, you followed it, plain and simple. Third is a better understanding of fees and services. This creates an awareness of different service offerings such as provider RFPs, fiduciary training, discipline advice, 338 or discretion or target date fund searches, just to name a few, and whether they're delivered in an a la carte fashion or as part of an all-in-one solution. And what is the associated pricing for each.

Next. Detection of trends. RFPs provide the ability for awareness and understanding of the industry or market and what other advisory firms are capable of offering in addition to what they feel are important issues that plan sponsors should be addressing. Fifth, benchmarking information. As we mentioned previously, you know what your number is because you received your 408(b)(2). This process will let you know if it's fair.

And finally, inherent fairness of process. Going through this process demonstrates the fairness and due diligence of your decision, and that if you have an advisor in place, they're qualified to address your organization's specific needs.

So before we go much further, we'd like to get a quick understanding of your all's experience with advisor RFPs. So we've created two polls that we would like for you to respond to. So we'll wait for the first poll to appear. Okay. So the first poll is now open, and the question is, what experience do you have with conducting an advisor RFP? None. Have previously conducted an RFP. Or planned to conduct an RFP within the next eight to 12 months. I'll give you guys 15, 30 seconds to see the response.

Okay. I'm just give it five more seconds. Okay. All right. So the results that came in looks like 39% have not had experience doing an RFP. 33% have previously conducted an RFP and 29% plan to do one within the next eight to 12 months. So one at 40% the other two equally at 30. Jim, how does that pan out based on your experience with other firms?

Jim Strodel:

The none, suggests that it will be hard to go at a loan, it'll be important to get some help from other resources, internal or external. Maybe you could flash that up again or is it gone forever, Greg the results?

Greg Middleton:

No, I can read it to you. So 39% had none, 33% previously conducted an RFP and 29% plan to conduct an RFP within the next eight to 12 months.

Jim Strodel:

Yeah, so two things. So the point about if you have never done it, this'll be a really useful webinar and you can find a lot of other tools. The bottom point is reflective of the industry. We've seen a lot of activity with RFPs, and so that's consistent with other data points we've seen Greg, that that's like, I guess almost one in three will be out to market for our consultant in the next year. So there's a lot of activity there.

Greg Middleton:

Gotcha. So we'll ask you guys to respond to one additional poll. We're interested in understanding what factors are driving your potential RFPs, and we'd like for you to answer second poll. So care if you can launch that poll, that'd be great. So the poll is why are you considering conducting an advisor RFP? Is it a benchmarking exercise? Are you addressing potential conflicts? Are you trying to address participant advice or wellness needs? Is it market volatility or is there no current advisor? So give this about 10 to 15 seconds as well.

Okay, let's give it five more seconds and then we can stop. So roughly 80% view this is a benchmark in exercise. That's their goal. 7% want to address potential advisor conflicts. 10% want to address wellness or advice for their participants. 2% want to address market volatility and under 2% want to address the fact that there's no advisor. Jim, what are your reactions to those statistics, those responses?

Jim Strodel:

I think that benchmarking, that's really consistent. Did people want a sense of are they doing the right thing? Are they in the right place? That that's consistent with data points we've seen. The third one down, if we did this three years ago, that that might not even been on here, but that third point,

participant advice and wellness, I wouldn't even say an emerging trend anymore. That's a real trend that employers are looking for ways to optimize, maximize retirement plans and seeking ways to do so with participant wellness education advice. So that number is grown and we expect that to continue to grow.

Greg Middleton:

Awesome. Okay, so we've given the overview and now let's share with you guys our approach to help you with the process.

Okay. So the slide that you're seeing now represents what we consider based on our experience, a sound 10 step checklist, which we organize in the three phases, and we organize it to ensure a well thought out and efficient and potentially easy advisor RFP process for any organization or entity. So I would think of this slide as your essential roadmap. And the first phase is preparation. There are two main goals for this phase.

First, what do you want to accomplish? It may not be clear upfront, but it's good to think it through early, recognizing that it may shift a little. And then you also want to make sure that you're gathering the necessary content. The second phase is implementation. In this phase, you will assemble your deliverable, identify the recipients, determine and finalize your response structure, and then distribute your RFP to the candidates.

And then the third and final phase is decision making. So during this phase, you want to focus on receiving and reviewing the final responses. You want to determine your finalist, conduct finals meetings, and then you want to select your advisor. But then most importantly, you want to document the process. So if you follow this appropriately, the outline will take what initially appears as an overwhelming process and turn it into an efficient and manageable experience with a positive outcome.

All right. So the first component of good preparation is determining purpose and key stakeholders. So who.

PART 1 OF 4 ENDS [00:14:04]

Greg Middleton:

[inaudible] determining purpose and key stakeholders. So who needs to be involved? The various functions or departments that could be involved or represented include departments like legal, finance, maybe individuals like the CFO, the CEO, the HR director, or groups like the investment committee. And then depending on your organization, the size of it, there could also be procurement involved as well. So you want to get them involved early and we'll touch on that in a moment. Next, with this potentially large group, you want to determine who's in charge and who's the primary contact. It can be the same or two different people. Then you want to identify the needs of your organization and the goals of this process. This sounds pretty simple, but it is the most important aspect of the phase. If you can correctly agree on the purpose for this process, you'll achieve a better outcome. Fourth, choose a review and scoring process. Determine what criteria is most important to your organization, how you will review and evaluate them, and narrow your list to finalists.

It's best if these parameters can be agreed upon and documented before the RFP is distributed. Next, agree on a timeline. This is not only for external responses, but your internal process as well. Based on our experience, a majority of advisor RFP processes do not stay on track due to an underestimation of how long the process will take, primarily the review process. Then finally, come to a consensus. After you've gone through these steps, please make sure you review the decisions, responsibilities, and timeframe with all involved parties associated to ensure agreement and then proceed. Jim, you've been

involved with hundreds of RFPs from a wide range of different organizations. Did they all approach this process consistently or did they have different aspects that were specific to them?

Jim Strodel:

I would say that generally the approach is similar. If there's differences, it's what stakeholders are involved in the process. If it's a procurement team, we've seen legal be involved, we've even seen risk or risk management, be involved in the process, Greg.

Greg Middleton:

Yeah. Well, good, that means that we've got a sound approach here. So again, if you can get this part of the process right up front, it's going to make the process so much easier. The second component of good preparation is gathering content and information about your plan to help the respondent understand as much as possible about your plan and your needs. This can be accomplished in one of two ways. The first is to include some or majority of the following documents as attachments, which include vital information about your plan. So those documents include the investment policy statement, the investment lineup, the fee disclosure, we referenced it earlier as the 408(b)(2), the number of participants in a demographic report, a recent quarterly review, that's a lot of great information in there for the responding firms.

Your summary plan document. If the plan you're evaluating for is a pension plan, include the actuarial report if you're comfortable, and then current agreements. And so in addition to those, the alternative to gathering all those documents is just to get the main data points from these documents and then incorporate them into the background portion of your RFP. The benefit of doing this is you're going to receive a much more targeted response because responding firms will have a better understanding about your plan. The next area of discussion can seem daunting, which questions to ask and where can I find them? In addition to the executive summary of categories on this slide, you'll also receive an industry-approved advisor RFP template at the end of the session that has questions covering everything I'm about to discuss. To start with, the number one best practice I can suggest that will save you time and get the best responses is to make sure the questions you ask match the services you are requesting. Typically, all of the questions we've seen from our RFP experience fall into one of these 11 categories.

First, general firm overview. This can include basic information about the firm, questions about the structure and history of the organization, and what is the focus of its business activities. Next is client experience. This will include a firm's approach to how they service clients, what the advisory team's experience is, and what their biographies are, the organization's current client base and experience with your type or size of plan, and even industry, and then you may also want to ask for references in this section. Third is legal and compliance. This section is pretty self-explanatory. Moving on to fiduciary status and support. Here, just directly ask if the firm considers themselves to be a fiduciary, what fiduciary status they can assume, and if they recognize that status in their client contract. Fifth is investment consulting services. This can cover everything from investment philosophy and development of an IPS to manager selection and due diligence to how they score and conduct performance reviews.

The topic of ESG and socially responsible investing in addition to 3(38) capabilities are also good to include if their of importance to your organization. Six is committee and trustee education and training. This is where you want to understand what training or education is offered, as well as what resources they provide to help with your fiduciary role and responsibilities. Next category to focus on as provider experience. Here you want to understand how the organization addresses its relationships with the provider community and the potential impact for you as a plan sponsor, like help with negotiations, services, and pricing. Eighth is participant services. You want to understand services and resources each

firm has to address the needs of your plan participants, also whether they can provide advice in addition to education and guidance, and if that extends to your highly compensated employees. Next is differentiators and culture. This is the place to ask about what makes a firm special, different or sets them apart from other firms.

We also see a lot of planned sponsors ask about mission and company culture in this section, because if you're going to start a lasting relationship with an advisor, it really helps if your culture and ethics are aligned. And while we're discussing culture and ethics, diversity, equity, inclusion has become more prominent. Be sure to ask responding firms their stance and efforts on the topic. Next is the fee and service proposal. Here you should ask responding firms to specifically list out the proposed services, the fees associated with those services and what additional services they might offer outside of what you initially requested, and any extra fees there might be for those services. And the final section is information technology and data security. Data breaches and cyberattacks have become very prevalent and can be a catastrophic event on your organization and on an individual, especially when it comes to their financial information and personal information such as their birthday or Social Security number.

Jim, we talked about it earlier, but with the recent passing of the SECURE Act 2.0, that's raised a lot of questions with plan sponsors. Do they need to include specific questions in an RFP about it? I know we have a couple slides to walk through some of the provisions, but just wanted to get your sense on it.

Jim Strodel:

I think that it should be part of the consideration, Greg. The SECURE Act is such a sweeping basket of regulations, mostly impacting plan sponsors and their record keeper partners. But it would be important to know what type of resources and expertise your consulting team has to help you get through the compliance with all the components of SECURE 2.0. It's a big undertaking for plan sponsors and you could use all the help you can find, for sure.

Greg Middleton:

And as an additional resource for the webinar attendees, we've included three slides to outline what some of those provisions are and what some of the deadlines are that are upcoming to include. And Jim, I know I mentioned it earlier, but diversity has become an increased focus. How's that played out in your experience of plan sponsors and RFPs or finals meetings?

Jim Strodel:

Oh, geez. Well, certainly it used to just be a small question in RFPs. It's become a set of questions now in RFPs and as it should be, and it's also become an important part of a plan sponsor's evaluation of a potential team to be your consultant. So people are looking for more than just the historical [inaudible] answers on these topics and they want to see real action. They want to see that advisor partner firms are leaning into diversity, equity, inclusion, and they want to see specific data points about it.

Greg Middleton:

From our team's standpoint, from the volume of RFPs that we're seeing or just the general activity, there are a few other trends that I wanted to share from my perspective. One is the advisor RFP process, historically, most plan sponsors have normally given a three to five-week lead time for firms to respond to RFPs, but over the last, I'd say, quarter and a half, we've seen that reduced to under three weeks. And we just want to make sure that everybody's aware of that. And what some of the drivers probably are is that maybe the RFP process was delayed for a variety of reasons and they're trying to get it accomplished by a certain period of time, or they just have less resources and they're trying to get it out

as quickly as they can and get it back to be able to make a decision. That's also driven a lot more follow-up questions. And so just be mindful of that as you're working through it.

And something else that's really trending is artificial intelligence or AI. One of the recent tools that has been out, probably the last, I know it's gotten a lot of press the last six weeks, is ChatGPT. It actually has been evaluated or a lot of people are thinking about how that can help them with the advisor RFP process from either finding questions or writing answers or evaluating different responses. The jury is still out, I think a lot of people are trying to figure out how that works. But those are just a couple of other things. As you are going through your process and planning your RFP, those topics could come up and we just wanted to make sure that you had awareness of those. Jim, is there anything else that you wanted to share about the questions or things to consider?

Jim Strodel:

Well, we're going to talk about it in a few minutes, but the complexities you're talking about has led to proliferation of third-party search firms who have really gotten effective. And I think costs have come down, it's made it easier for employers to select a firm to do this for them.

Greg Middleton:

Absolutely, and just for what Jim's going to touch on, our experience, we've probably worked with over maybe 175, maybe 200 firms in our history of doing RFPs that have run searches. But coming back to how we can help make this process easy. As part of the follow-up with this webinar, we're going to make sure that you guys have two great resources to help you with the questions. So the first one is from the Retirement Advisor Council, that's an independent third-party organization that probably 10 years ago they created the industry-standard RFP template that's got good questions in all of the great categories that are on this page. They've made probably two or three rounds of updates to that, so there's a great resource which we'll share with you. The other, it's a little bit dated, but it's still very solid, it's from the Department of Labor and it's a fact sheet called Selecting and Monitoring Pension Consultants: Tips for Fiduciaries. We'll include it, but it can also be found on the DOL's website. And again, we'll include these as a follow-up to the webinar.

Okay, moving on. So now that we've talked through the preparation process and gathered the appropriate questions and information to include, we want to shift gears and focus on the implementation process, and the first step, assembling your deliverable. Based on our experience, the majority of RFPs can be organized into five sections. The first section's the introduction and needs to address two areas. The first is to provide an overview and background of your organization. The other to address is the purpose and scope of the RFP, which explains why you're conducting this process and what you're looking for. The next section covers general information and instructions about the RFP process itself. Content listed in this section includes the RFP schedule, which specifically lists out milestones and deadlines, and the primary contact for all questions and communication.

The final section should address requirements of the response that discusses the parameters of how you want the response organized, packaged, and delivered. The third section of your RFP should provide an overview of what you're looking for and what the specific requirements would be. This section is where you would include specific information about your retirement plan and the specific scope of services you are seeking as part of this exercise in as much detail as possible. Part of this section, you should consider including a set of minimum respondent qualifications, which could eliminate some respondents and ultimately save you time. The final content...

PART 2 OF 4 ENDS [00:28:04]

Greg Middleton:

... eliminate some respondents and ultimately save you time. The final content to include is how your organization will rate the performance of the advisory firm and what your preference is for interaction and ongoing reporting for the services the responding team is providing.

The next section will include the specific questions you would like answered, organized for responding firms in a logical way. And then the fifth and final section will contain any supporting materials like plan information or client agreements you would like to include. And the aspect about client agreements, just to make sure everybody has awareness of that. From a contracting standpoint, it's good to include a copy of your contract. That way if the responding firms has questions about it, you can begin that process and that way if you end up selecting them, then you're already down the road with contracting with them.

Now that your RFP has been constructed, here are a few other things you might want to consider as you're getting ready to hit the send button. Does your company require responding firms to sign an NDA in order to receive the RFP or participate in the process? What about a cover letter? One tip clients have told us to make things easy for executives in the process was requesting a cover letter or executive summary to be included detailing the main points or takeaways.

If your organization requires procurement to be involved in the process, get them involved early. How do you want the response delivered? Electronically, hard copies, and if so, how many? And if you are getting hard copies, do you want them packaged in an envelope, a three-ring binder, one folder? However you choose, just remember to be very specific with your instructions. Are you including any page or word count restrictions? We typically only see this if a plan sponsor is using a specific format such as Excel or an online platform.

Regarding pricing, some organizations may not want pricing to be a major driver until the end. So they ask that pricing is submitted in a separate file or envelope to be opened only after the rest of the response is reviewed and discussed with address contracts.

And lastly, do you want to allow samples and marketing materials? Most firms will want to show you all the great things that they can do, which could result in a lot of materials for you to read, some of which is unnecessary. So if you want to limit additional deliverables only to ones that were requested, please say so.

Now that you've assembled your deliverable, and I'll tell you this from personal experience, proofread the document and then give it to someone outside of your group to review it one last time before you send it.

The last item to address, which Jim just touched on was the growth of third-party services that you can outsource some or all the components to.

Jim, you've had experience with both procurement departments and third-party search firms. What would you like to share with the audience about what to expect or how to maximize those experiences?

Jim Strodel:

So with procurement expertise, the work that we do is somewhat niche and it's sometimes difficult for a procurement team who is in charge of procuring lots of different services and products to completely understand exactly what a consultant does. They can be helpful in that they have a defined process, but oftentimes you'll need to work with them a little bit to educate them about what a consultant does and the things that are important to your teams.

With regard to third-party search firms, this was a cottage industry a few years ago and it's grown into a significant part of our business. And I think that you can find tremendous value by partnering up with a third-party firm. Some of them are very large global consulting firms, some are smaller organizations or regional organizations, but everyone that we've interacted with has a really good handle on how to conduct these RFPs, and I think we've seen outstanding results through using them.

Greg Middleton:

We concur. Thanks, Jim.

Okay. So now that you've got those details worked out and your RFP is packaged appropriately, who do you send it to? On average, most plan sponsors include roughly six to 10 in the process, but don't let the number get too high because you still have to review all the responses.

A couple good sources to help you decide on which firms to include in the search versus key stakeholders: Talk with the individuals associated with the project and ask them if they have a name they want to recommend or someone they've worked with before.

Next is industry publications. There are numerous publications that provide annual directories of retirement advisory firms that also include firm information. Two examples include plan a sponsored magazine annual consultant survey and pensions and investments consultant directory.

Current service providers. Ask your current provider partners who they would recommend including in this process based on your specific goals and objectives.

Fourth is peers. Reach out to your professional networks and also within your industries and geographic regions to see if they have recent experiences they can share. And to Jim's point, third-party consultants that you're working with, these groups can also provide a list of names.

The final elements of the implementation process are to distribute the deliverable and manage the intent to bid in Q&A portion of the process. So once you've sent out your RFP to your selected groups of advisors, it's best to include some language in the email that recipients acknowledge they received it. You should also include deadlines for an intent to bid response and for any questions to be submitted. These deadlines can be copied and pasted from your timeline within your RFP. By including an intent to bid option for questions, you will have a higher probability of getting sound responses from quality firms.

Once the deadline for questions has passed and you've received all the questions, easy is just to copy them all into one document with the answers and distribute to all the firms who have acknowledged their intent to bid. This way you don't have to send out multiple emails or respond to the same question multiple times. And a good typical timeline for receiving a final respondent submission is three to four weeks after you've issued your RFP.

Now we're going to focus on the final phase of the process, decision making, which starts with reviewing final responses and determining finalists. First, as a courtesy, acknowledge receipt of the response you are going to go through your review process and that you'll be in touch. Just like the bullet says, try not to get overwhelmed. Your immediate reaction is likely to be one of surprise of the wide variation of packaging, heft, and thoroughness of the responses you've received. If you follow your agreed upon process and schedule, then it should work out.

Some tips to help with the process are look for advisors who frame their responses as solutions or focus on outcomes rather than just listing their backgrounds and capabilities. Be aware to check the box answers to questions where every respondent could potentially say the same thing and look for responses that go deeper, either by evidencing and understanding of the challenge you've framed or illustrating the unique advantages they can bring to your plan. If there are areas that you need

clarification or further explanation for, it's okay to reach out to firms for this information. They don't mind providing it, and they actually will jump at the chance to have additional context interactions in detail with you. Once you've received all the responses, please internally communicate and try to narrow your list as soon as possible.

Many have asked, how many should we invite as finalists? Typically, three to four is a good number. And as a best practice, review the list to ensure they distinguish themselves from the pack and have no apparent red flags. If you feel good about your list, the next step is to communicate to firms they've been selected as a finalist. It's also a best practice and a courtesy to inform those firms that were not selected and offer to provide feedback once the entire RFP process has concluded.

The final step is coordinating logistics for finalist presentations and ensuring internal decision makers are available and prepared and in what venue you're going to have the meeting. Is it in-person or is it virtual or is it a combination?

The finals meeting represents the near end stage of your RFP process. Jim, when you've been in these meetings, what's been the driver for when the meetings have gone well or what's occurred when the meetings maybe haven't been effective? And with the evolution the last few years of us being in a hybrid model, do you have any thoughts on how that's impacted the process?

Jim Strodel:

Yeah. I think for the meetings to be really effective and to avoid a PowerPoint narrative, it would be really helpful to provide an agenda to your finalists in advance. And that agenda, to be very specific, the best meetings we've seen are where the perspective client is identified three, four, five areas of particular focus and maybe even asked the question behind the question, why is it a focus? And it allows the committee to get outside of, or the buying group outside of just the narrative of a PowerPoint and see how advisor partner firms think and what it's like to be a client of theirs.

So I'm a big proponent of providing an agenda and to be very specific about the topics covered and to create an opportunity to diverge from whatever the stated canned presentation is.

The other thing, you mentioned this, Greg, the hybrid, the virtual. There's obviously a lot of positives about virtual meetings. There's scheduling. People can do tech demos. There's some real conveniences without a doubt. There's also things that are lost, which is the nuances of a personal interview with a advisor team. And I think that it's easier to discern because a lot of the firms you will speak to might sound alike and your decision might hinge on culture fit, feel, which is really hard to pull out of a virtual environment.

Every firm is a little different. If culture and fit is really important to you, I would do all you can to lean towards an in-person meeting. I know that's hard. Work groups are spread all over. Tons of people are still working remotely. So that can still work and there are some pros to it. But I think that we've seen the best results when people still do in-person meetings.

Greg Middleton:

Jim, I'll put you on the spot. You don't need to name any names, but from your experience, what are some things that have occurred that just make the meeting not an effective interaction to where really fit couldn't be established or the group was distracted or it just wasn't a good use of anybody's time?

Jim Strodel:

Yeah, this can happen a lot in the virtual meetings. People don't join video. People are disengaged. They're attending the meeting because they've been invited. They feel like I have to. Those are signs.

When people join a virtual and there's no camera, nobody's speaking, that's a pretty early signal that there's not a lot of engagement and it might just turn ... A bad outcome for me is just where you have a team come in and they just talk for 40, 45 minutes about how great their organization is and all the nice things they're going to do for you. It really, really requires engagement.

So back to what Greg was talking about a while ago, think about your buying team, your evaluation team, and make sure that they're really interested in it and they're going to participate in a meaningful way.

Greg Middleton:

We got a question, Jim. I think it was probably for the previous slide, but I'll ask you this and add some color as well if needed. The question is, we mentioned avoiding firms ... Excuse me, rephrase it. We mentioned avoiding firms that have red flags. Can we state what some of the red flags might be from your experience?

I think what the question is focused around is as they're reviewing RFPs and looking at the responses, what red flags would pop up in the response that would cause the reviewing organization to have pause on that firm?

Jim Strodel:

I think that a couple things will jump out. That is, do they have any plans like yours? Are they really in this space? I think, do you have plans that are like our plan? And if so, how many? What's the scale of them? I think that knowing that they've been there before is really, really important.

We talked a little bit about conflicts. There's some red flags around advisors that represent certain investment products. That's a red flag if an advisor is also recommending certain investment products that his or her firm supports or works for.

Certainly you want to look at FINRA. If you're looking at registered reps, look at the FINRA website and do a broker search. But I think that it's generally if you run through a solid process, you're going to end up with the right people. But those couple things could stick out as red flags.

Greg Middleton:

The only couple of things I would add to what you shared is the organization that's responding ...

PART 3 OF 4 ENDS [00:42:04]

Greg Middleton:

Things I would add to what you shared is the organization that's responding, try to understand the entirety of what that organization's focus is. Yes, they could be offering retirement plan services, but it could be one of 50 businesses that they focus on, which may or may not be a good fit. You also want to look at the experience of the respondent advisor, to Jim's point. And then, you also maybe want to look at turnover. Those are some areas that you can ask, how much turnover happens in the organization or in specific departments. Because some of those responses could reveal some things to you that may determine that it may not be a good fit. You also want to understand what their revenue streams are and where they source their compensation from, because that is another important thing, just to understand what their focus is and what they want to do. I hope that answered your question.

We have another question, "Any suggestions or feedback on advisor managed accounts as part of the advisor RFP process?" Jim, I'll give that one to you.

Jim Strodel:

So that's a pretty sophisticated question. Thank you for that. I would say that the proliferation of managed accounts and advisor managed accounts, which that is a managed account that has a fee. So managed accounts generally have a fee, and they are a little more sophisticated than a lifecycle fund, and can be very helpful particularly for people who are approaching retirement. They are also a source of revenue from whoever's created the managed account. There are record keeper managed accounts, in which the record keeper would earn money for the managed account. This question is about advisor managed accounts for which it would be a revenue stream for the advisor. So they can be very useful. I would say if you're interested in advisor managed accounts, I would ask a number of questions about compensation, how they're constructed, the methodology, and then if there's other third parties involved. Really good question and sophisticated plan sponsor there, moving into advisor managed accounts.

Greg Middleton:

Those are all the questions at this time.

Make sure I'm on the right slide. So just to make sure everybody's on the same page, once your finalist meetings... Again, depending on how many you do, you're probably doing two to three of these. But once they've all concluded and you're close to a decision, check the references that you ask for. Get a sense of what it's like to work with that group. And if necessary, ask for a site visit, ask if you can go visit the organization that you've talked to, either in person or virtually, so you can meet their professionals or subject matter experts and senior leadership, just to get a sense.

But hopefully, at the conclusion of this process, hopefully you're able to find a clear winner, you were able to establish a connection, there was a cultural fit, you had creative ideas, and it felt good.

And then once you'd made that decision, again, as we mentioned earlier, communicate your decision to all finalists, offer any congratulations to the winner, and an opportunity for feedback to the other firms.

And then, to can create an easy decision making process, which is documented, you want to gather up all the emails, all the communications, the notes, the questions, the answers, the responses to the RFP, any samples or supporting materials, the presentations, the scoring sheets, meeting minutes, feedback, reference check, et cetera for everybody involved. And then, organize them in some form of a functional repository, so that way when someone wants to know why you chose this advisor, you can show them.

So in summary, hiring an advisor is a fiduciary decision. So you should follow a well-thought-out and thorough plan. You should document each step of your plan from creation of your deliverable to your final decision criteria, and you can show how your selection is in line with your goals and objectives.

With that, we'll open it up for questions, see if there are any other questions or topics that attendees had about the process.

Okay, we got one in, "Is there an issue if our review process or decision processes delayed?" No, just like we said before, that's a very common occurrence. Just, if you have a change, communicate it out to all of the folks who are involved, what your updated schedules are, so you can help reset their expectations and timelines.

Jim Strodel:

I would say, Greg, I think there is, because we've seen where... Delays happen, as you said, a lot. Complete abandonment, I think is a potential problem. If the process has begun and completely abandoned, I do think that's a potential concern.

Greg Middleton:

Yes.

Next question, "Is there a resource to find firms to run an RFP for a company or plan sponsor? Or said another way, how can they find the list of third party firms?"

From my experience, there really isn't a directory right now. What I would suggest is talk to your service provider partners, because they have awareness of some of the groups that are out there. And again, we work with probably 150 to 200 of them, so they come in all shapes and sizes. So again, talk to the groups that know you and know your organization and your plan, and they'll be able to give you a few names of firms to work with. Or if you want to reach out to us, we can share a couple names as well, depending on what's a good fit for you.

Jim, would you suggest any other approach?

Jim Strodel:

One other potential gateway is through, if you use outside ERISA Council. ERISA Council at various law firms are close to these types of searches and oftentimes participate in such. So that might be another resource, Greg.

Greg Middleton:

All right. The questions are exploding now. This is awesome. "What's a reasonable amount of time if we do choose to change advisors, just from an off boarding or a transitional statement?"

So Jim, when you've transitioned into new relationships, what's that process been like? And typically, what is a general timeframe? And what maybe would impact that process?

Jim Strodel:

This is presuming that the advisor firm's been selected, and so, what's the onboarding?

Greg Middleton:

Yeah.

Jim Strodel:

I would say that it's a two meeting process. It probably spans four weeks or so, to get fully onboarded and up and running with the new advisory firm. There's usually a fact finding meeting and then a key deliverable meeting to gather... So the fact finding is to gather how the program operates, strengths and weaknesses. And then to come in and make recommendations, it's two weeks after that or so.

Greg Middleton:

Okay. Next question, "How important is it to follow up with targeted questions for referenced companies?" If I'm interpreting this right, the difference between asking general questions versus very specific questions that responding firms provided as a reference, I think you're probably the only person that can answer that, because you know what the goals and objectives are of your process. And if the organization has made it as far along in the process that you're checking references, hopefully you either want to validate that what your impression is, is accurate or valid. Or if there's something that you need further clarity on, be as specific about that as you can. The reference will tell you what they can tell you without violating the relationship. And if they're a reference, there're probably a reference for a reason.

So I would just be as specific as possible and I think you'd be surprised about how forthcoming references will share their experiences.

Jim, I know you've seen it from both sides. What do you think?

Jim Strodel:

Well, you made a really good point, references are references for a reason. I think that really good questions could be, "What could the advisory team improve on? If there's been an issue, how have they resolved it?" Because not every relationship is perfect, and so, I think that you're probably going to be served up a nice reference. I think you could ask questions like that, that might uncover areas of opportunity or improvement and maybe hint at things that could be problematic.

Greg Middleton:

Let me see this. It's got some link to it. "Do you find any plans that have an investment advisor and a separate advisor to do other things outside the investments, like SECURE Act 2.0 education? Or do most plans use just one advisor?"

Jim Strodel:

Want me to answer that one? I would say that your one advisor should be able to do everything for you. Investments are complicated, no doubt. It is difficult, certainly to manage two relationships around your retirement plan. I think that would be problematic. But if you are engaging a consultant who is not strong on regulatory, legislative, topical, I do think that's a problem. Your plan, it's not only an investment device, it's a full service retirement device for people. And so, it has to operate from an optimal perspective, and one advisor should be able to do that for you.

Greg Middleton:

Jim, I think that addresses the questions.

For the audience, just to make sure that you guys have awareness, within the materials that you'll get, you'll get an executive summary of the sections of the charts and the topics that we talked about, and our information's on the final page in case you guys have any questions that we can follow up and provide any assistance with.

Thank you for spending almost an hour with us. We hope this was helpful. Please be on the lookout for a follow-up email with recording and the materials and the presentation of what was presented today. Thank you for attending.

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