

Employers Discuss Why They Use Vendor Search Consultants

Employers use the help of a consultant searching for employee benefit vendors, narrowly for certain tasks or pricing only and not at all.

Reported by [NOAH ZUSS](#)

Search consultants can provide employers additional insights that help to extract the most from requests for information and requests for proposals, but there are several things to consider before deciding to use an intermediary.

Some employers secure the support of a consultant to design, sort and score requests for proposals and requests for information, while others use consultants more narrowly for pricing or because they offer access to proprietary systems for evaluating benefit providers.

"In the instance of the recordkeeper RFP or RFI, we would lean on the [retirement] plan adviser as a second set of eyes to help us to make sure that we're covering everything that we want to cover," says Cory Fitts, senior director of benefits at Hines about their hiring processes. "Less so in the case of a [retirement] plan adviser. "Typically we manage that on our own, but we've sourced documents from other employers, from professional organizations that can provide guidance in tailoring [the search] to meet our needs."

Plan sponsors complete vendor searches—RFI and RFPs for retirement benefits and health care providers to meet their fiduciary responsibilities under the Employee Retirement Income Security Act, keeping the retirement plan out of legal or regulatory hot water and to enhance the plan for participants, employers explained.

Consultant, Help!

Plan sponsors have several reasons for choosing to work with consultants to extract the most from their vendor searches.

At Hines, a global real estate, investment, development and management firm based in Houston, working with a consultant to complete vendor searches will depend on the situation, explains Fitts.

"We have used consultants in the past, having been through the [RFP] process a few times," she says. "It's not necessarily something we need to do on a regular basis but [more] due diligence just to make sure that we're asking everything we need to on a on [regular] basis."

Fitts also notes the cost can be prohibitive: "leveraging a consultant [fee] that's a consideration as well, because that's the participants' money going to fund that consultant fee," she says.

She asks whether paying the consultant fees is being a "good steward" or if the employer could do as well without one.

For employer fiduciary protection, "the question of whether a plan fiduciary should get consulting help in preparing RFPs and making decisions is highly dependent on the nature of the situation," says Drew Oringer, a partner and general counsel at the Wagner Law Group.

The first question is whether the fiduciary thinks help is necessary, he adds.

The complexity of the decision and the costs of the consultant are highly relevant factors for selecting consultant support, or not, he explains.

"I would like to think that fiduciaries should not need to incur the costs and effort involved with getting a consultant where the fiduciary really does not need outside assistance, but the litigious nature of our society could result in arguably unnecessary preventative measures being taken in some cases," Oringer says.

American Fidelity Assurance Co. worked with a consultant to evaluate retirement plan service providers—eventually changing the recordkeeper and investment administrator—in a 2020 benefits search, says Thayla Bohn, senior vice president of corporate and human resources at the Oklahoma City, company.

The life and health insurance products provider worked with a consultant on the initial vendor search RFI and the ultimate RFP. The former was helpful for narrowing the criteria to satisfy the RFPs requirement of the plan and for sorting and scoring the RFPs, she says.

"Initially, [the consultant] provided us with some forms, things for feedback," explains Bohn. "Once we had completed the RFP, we identified what [our plan] requirements were and then utilized the requirements to then assess whether the providers were going to be able to meet them."

The consultant also helped American Fidelity score the proposal, she adds.

"There was some scoring that we did—on a scale of one to five—and they did help us with that," Bohn explains. "Having gone through RFPs in the past with multiple clients, they had a lot of expertise and were able to help us assess whether the providers would meet our needs or not."

Consultant, (help us) Limited

The Southwest Airlines Pilots Association works with a consultant, but on a much more limited basis.

The Dallas-based plan sponsor evaluates vendors on three levels: RFPs that are deep into the weeds, investigating the RFI and for gathering information for investment and then "something a little less serious that we call benchmarking," says Mike Haynes, director of retirement, at the association.

"We lean on Callan LLC a lot: they're our investment consultant and we have them do our fee benchmarking studies," explains Haynes. "We use [Callan] for investments, we use them for plan consulting, as well as [for information on plan compliance with] the SECURE [2.0] Act [of 2022] and other things."

Haynes adds, "we use [consultants] as help [to] facilitate the RFI process, so that we don't have to invent the wheel [and] we use the consultant to assist us in that [RFI] review. It's not just a plan sponsor [responsibility]—we must use the experts."

Working with the consultant on each search is wise for employers to meet their fiduciary responsibilities and for ensuring that meaningful comparisons are completed by plan sponsors under Department of Labor regulations, adds Haynes.

"Regular comparison via benchmarking/RFI/RFP done by an experienced consultant is part of the DOL's expectation of a plan sponsor's fiduciary responsibility and necessary plan governance," he says.

Salas O'Brien, an Irvine, California-based engineering firm did not use a consultant to complete vendor searches and vetting for health vendors, in 2022.

"Most RFPs were done directly with particular vendors," says Lucas Hellmer, associate vice president for compensation and benefits at Salas O'Brien "We used our benefit broker on some vendors to at least get the proposals back, but for any scoring system, we developed our own scoring tool to score out [provider RFPs]."

Hellmer adds that: "As we're talking through with each one of those vendors, whether it's an interview process or looking at the proposal itself, we're giving ratings on those different areas that are the key differentiators—whether it's educational tools, do they have a strategic focus, responsiveness, etcetera, to be able to objectively evaluate these vendors in terms of moving forward."

Consultant Corner

Consultant assistance with designing, sorting and scoring RFPs may reveal greater depth of comparisons and insights into plan designs and characteristics on pricing and technical aspects of retirement plans, says Wendy Dominguez, president of Innovest Portfolio Solutions.

Helping with technical aspects like pricing of investments is part of Innovest vendor searches, she says.

"These are very technical subjects and evaluating the difference between one vendor and another can be challenging," she says. "We believe our role is just to really show [plan sponsors] an even playing field: [because] first of all, sometimes it's hard to get to even that because of proprietary fund requirements or yields on fixed accounts. Helping our clients understand the landscape, understand how different [requests for] proposals are put together, understand the different offerings is very valuable and a third-party can really add a tremendous amount of value, in helping plan sponsors just because of the technical nature of the bids."

The ability of a third party to present clear pricing for investment funds or services without bias is key, Dominguez adds, based on feedback, questions and concerns she gets from plan sponsors.

Employers biggest concern is "really on the pricing, because there are so many different scenarios and subsidies that occur in some of these bids," she says.

"Being able to compare everything on an apples-to-apples basis is really complicated," Dominguez adds. "We can help [employers] understand the difference in a fixed [income] account versus a stable value fund, versus a money market [fund] and how the pricing of each of those impacts the overall record keeping costs and vice versa."

Consultant, for Fiduciary Protection

Working with an intermediary firm can be key for plan sponsors meeting their fiduciary responsibilities under ERISA, by providing superior comparisons of different technical aspects of plans that otherwise are more time-intensive, complex and opaque.

From the perspective of fiduciary protection, plan sponsors are wise to base the decision for securing support for vendor searches depending on the specific situation, adds Oringer

If the fiduciary believes the assistance is necessary to make a good decision, the fiduciary should seek that assistance, he says.

"Then, regardless of whether the fiduciary thinks help is necessary, the fiduciary may want to consider whether an outside consultant will make the record better and help insulate the fiduciary against possible [litigation] claims," Oringer explains. "In some cases, it will be helpful for a fiduciary defending a decision to show that additional outside help was sought. The greater the level of familiarity and expertise of the fiduciary, the less an outside consultant is necessary."

Tags

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