

ct 09, 2015 - - Michael Paterakis

LIVE CHAT ONLINE

Plan Sponsors, Asset Managers Flummoxed By RFPs

The request for proposal (RFP) process in institutional asset management has evolved over time from a thankless task to a burdensome pain for plan sponsors and asset managers. The lack of a universal, standardized format allows for RFPs of widely varying quality and style, with many plan administrators not even sure to whom they should assign the writing of an RFP. Their uncertainty extends even to the responses they receive from asset managers, who in turn struggle to keep up with an ever-increasing volume of more detailed and complicated RFPs. As a quick fix, consultants argue that plan sponsors should let them do the writing, while some asset managers are turning to a technical aid: response drafting software.

The need to administer a thorough search, combined with uncertainty about how to best communicate their needs in an RFP, leaves many plan sponsors frustrated with the process, as well as with the responses they receive. At the 2015 annual conference of the **National Association of Government Defined Contribution Administrators** that took place in Indianapolis on Sept. 27-30, a number of administrators of public plans, both large and small, discussed the intricacies (and tedium) of writing a meticulous RFP and the challenges therein.

Kole Crofts, a police officer for the city of Boise, Idaho, and vice chair of the department's \$40 million defined contribution plan, explained how, due to the plan's limited resources, the board assigned the writing of an RFP to its law associates. The resulting RFP was heavy on "lawyer-speak"—the abstruse jargon of lawyers—which seriously complicated the search process because responding firms needed several clarifications in order to comprehend the plan's requests. The problem arose during a search for a provider intended to reduce the plan's costs. "Our biggest problem was that our RFP was written by the legal department," Crofts said. "For us, it was a learning process."

Even mega plans charged with considerable resources and trained staff are not immune to the problem. The Commonwealth of Virginia has a full staff managing seven defined contribution plans, including two hybrid plans, with \$2.3 billion in combined assets. When they needed to detail what they were looking for from their prospective third-party administrator, an RFP of no less than 500 pages was issued. "The RFP was very detailed," said **Kelly Hiers**, defined contribution plans administrator at the **Virginia Retirement System**. "Drafting it presented a challenge." Responding to it presented another challenge: Only three firms matching the criteria replied.

Consultants offer themselves as middlemen promising to simplify things. "We are the translators," said **Jeffrey Snyder**, a v.p. and senior consultant with **Cammack Retirement Group**. "In the case of the state of Tennessee, we went over there for two weeks to get their objectives before writing the RFP. It is our job to help them understand what they are looking for."



Jeffrey Snyder

Yet even when a plan's objectives are clearly stated in an RFP and an agreement has been reached with a vendor, sponsors often grumble about the responses they receive. The \$387 million deferred compensation plan of the city of Austin, Texas, recently completed a search for a provider that would help it switch its from managed accounts to target-date funds. But when the vendor sent the contract back, the plan's administrators were surprised to find that parts of the contract required by the RFP were missing. "Large sections of the RFP were not in the contract," according to the plan's committee chair, **Tim Atkinson**, who clarified that the vendor, once informed, promptly added the absent stipulations.

The misplaced sections were considered a mere mistake rather than intended malice, but asset management executives involved with RFP response writing and contract drafting insist that the high volume of requests, coupled with the confusing stipulations of many RFPs, lead to those errors. In *iiSEARCHES 2014 RFP Process Survey*, institutional asset management firms indicated that on average they responded to 188 requests for proposals and requests for information annually. That was up from 164 in 2012 and 127 in 2010. Yet less than one in three respondents (30%) said their firms intended to spend more money on the RFP response process in the coming fiscal year.

To better navigate that task, many firms now utilize specialized software. "Responding to an RFP is a very time-consuming process," said **Daniel Kettner**, a v.p. of client relations at asset management firm **Abbot Capital Management**. "With the use of software we can focus on the important things, the nuts and bolts of our proposals, rather than filling out forms."

Abbot, which needs about a month to put together an RFP response, hopes to drastically decrease the response time thanks to software it now uses by **Expedience**, a technology start-up established by the same team that in the 1990s rolled out *RFP Machine*, a then-popular tool with the asset management community. Expedience's suite, once installed, is embedded in **Microsoft Word**, a key consideration for Abbott because the firm wanted to retain sensitive material included in RFP responses on its own servers. "We looked at around three other solutions, but we came down to Expedience because of how easy it is to implement, its price and because [with Expedience] we do not need to upload data elsewhere," Kettner said. "For a company like ours, security is very important issue because we are managing large pools of capital."



© 2015 Institutional Investor, Inc. All material subject to strictly enforced copyright laws. Please read our [Terms and Conditions](#) and [Privacy Policy](#) before using the site.