The RFP Process...Checks and Balances

INTRODUCTION

The focus of this paper is to provide an outline of best practices a Plan Sponsor can utilize to undertake a Request for Proposal (RFP) process for 457(b), 401(a), 403(b), grandfathered 401(k), or any combination thereof. The information outlined in this document will apply to Plan Sponsors of all sizes; from the smaller end of the market (sub-$20M in plan assets) to jumbo with assets in excess of $1 billion.

Many in the public defined contribution market have a dedicated procurement department to drive and assist with any RFP process. While procurement plays an important role, the RFP process for defined contribution plans can be so specialized. The best practices outlined in this document can supplement the efforts of procurement and help Plan Sponsors conduct a thorough and defensible process.

We have divided the paper into six overriding activities that are considered most critical to an RFP process. These include:

1. **Establishing Goals and Objectives**
2. **Composition of the Questionnaire**
3. **Pricing Guidelines**
4. **Evaluation of the Responses**
5. **Finals Presentations and Site Visits**
6. **Implementation of Changes**

These are listed chronologically for the reader's benefit, however, they are not considered sequential. For example, if a potential change in a current Recordkeeper is expected, a Plan Sponsor would not wait until the decision is made to change Recordkeepers before initiating steps to manage employee expectations. Ultimately, any RFP process that results in a change of Recordkeepers will be focused on the employees' best interests whether it is improved pricing, enhanced services, or some combination thereof. Furthermore, any potential change needs to be communicated to employees early in the process so they feel they are included in the actual process.

ESTABLISHING GOALS AND OBJECTIVES

The prime reason for Plan Sponsors to initiate an RFP process is to ensure their plan is in compliance, and as such, the entire process needs to be documented. A large percentage of all public Plan Sponsors have established procedures to review their plan(s), typically with the assistance of a third party consultant or advisor. If one does not already exist, consultants/advisors will typically recommend the formation of a defined contribution/benefits committee to oversee and review all aspects of the plan(s). Most committees convene quarterly, however, convening less or more frequently (no less than annually) is acceptable. A typical committee is composed of key administrative staff and representatives of employee groups. This is the group, or a subgroup thereof, that will both review the RFP submissions and/or make recommendations to the full committee.

RFP Timeline and Submission Requirements

When Plan Sponsors initially release their RFP to the market, the timeline of critical dates should be identified early in the RFP and explicit with respect to the release date, when potential bidder questions can be submitted, when they will be answered, and when RFP responses are due. If applicable, the timeline should also include a deadline for letter-of-intent to bid, dates for finals presentations, and site visits. It is generally understood that specified dates can be modified at the Plan Sponsors discretion. It is acceptable to specify certain dates as TBD, e.g. new recordkeeping contract effective date.

Once the RFP is released, best practices suggest Plan Sponsors allow potential bidders at least one week (for more complex jumbo RFPs - more time is appreciated by vendors to understand the scope of services) for review and submission of questions. Depending on the complexity of the RFP, some Plan Sponsors, in conjunction with their procurement division and staff, will host a Pre-Bidders Conference in person and/or by conference call to ensure that questions can be answered. Questions and corresponding answers will be circulated to all potential bidders. The deadline to submit an RFP response should be no sooner than four weeks after the RFP is released. With larger and/or more complex plans, it is recommended that at least five to six weeks be permitted to ensure bidders have sufficient time to provide thoughtful, quality responses.

Regardless of size, Plan Sponsors should take into consideration employee and/or labor groups that may have differing needs and priorities. It's important for Plan Sponsors to establish and convey clear expectations up front to prospective bidders. Plan Sponsors should specify minimum requirements and consider identifying up to six examples. Whenever possible, Plan Sponsors should also provide an overview of current service levels and historical data along with perceived gaps with goals and expectations for the future.
As noted above, the opportunity for potential bidders to submit clarification questions is a key element of the timeline. Though few questions are considered inappropriate, Plan Sponsors can reserve the right to not respond or disclose certain information. For example, a request to disclose current pricing may be considered proprietary to the Plan Sponsor.

Again, a week for bidders to submit clarification questions to Plan Sponsors is considered best practice. A deadline for the Plan Sponsor to provide all potential bidders with a summary of submitted questions and corresponding answers should also be conveyed in the timeline. Plan Sponsors should also post the document on their website to ensure equal access to the information.

For many Plan Sponsors, especially those with Procurement Departments, the adoption of a bidder's registration process is required. This assures that potential bidders receive the RFP upon its release, any subsequent questions/answers, and other required or relevant documents.

Background and Scope of Services

One key to a successful outcome is ensuring that the plan background discusses the origin of the plan, date of inception, changes in Recordkeepers over time, and insight about employee contentment with plan features and current service levels can help bidders make key distinctions that are conducive to providing clear and meaningful responses.

Citing minimum qualifications can allow for the most appropriate amount of bidders without eliminating those new to the market. Using terms such as defined contribution as opposed to specific IRC categories allows for experience of "like plans" to be used as qualifiers for potential bidders. For example, all prospective bidders should understand the differences between 457(b) and 401(k), 403(b), and 401(a). However, they should still have the appropriate recordkeeping and administration experience with plans of similar size to that of the Plan Sponsor. In other words, prospective bidders should have scale and related experience.

A summary or bullet points that highlight the Plan Sponsors four or five key or focus items is also helpful to potential bidders as they assess their qualifications to bid.

Reasonable timelines and process specifications should be included. A sample contract, terms of agreement, and/or the entity's executed Plan Document are all helpful to prospective bidders.

It is worth mentioning that when Plan Sponsors utilize a Request for Information (RFI) instead of an RFP, the assumption of some potential bidders is that the process is primarily a market check. However, it is reasonable that an RFI is being utilized as a preliminary market testing tool to qualify firms for a subsequent full RFP. If it is an open solicitation it will potentially cast a wider net on the market, so minimum qualifications need to be specific to eliminate prospective bidders that would be deemed non-qualified. Plan Sponsors or a contracted third party Investment Consultant/ Advisor can determine appropriate firms to distribute RFP/RFI based on specific qualifying criteria or to firms that have expressed prior interest to either party.

As a precursor, Plan Sponsors will sometimes conduct participant surveys to assess what is important to them and their comfort level should there be a change in Recordkeepers. If surveys have been conducted, it would be helpful to prospective bidders to be aware. A Plan Sponsor can provide a high level summary of survey results or work with their consultant/advisor, if applicable, to craft specific RFP questions that correlate with survey results. Most of these surveys are conducted ahead of, and can be highlighted in, the RFP.

Plan Sponsors may request a letter-of-intent to bid as a prerequisite to submitting an RFP response. A cover letter with specific stipulations and acceptances may also be required, e.g. terms, contract language, RFP purpose statement, as well as a means to allow bidders to indicate key items of differentiation, if any. It's recommended that a cover letter be restricted to no more than two pages in length. Additionally, an Executive Summary provides prospective bidders with an overview of key service and/or product items. It also allows the Plan Sponsor and its reviewing committee a condensed, reader-friendly summary to review and compare.

Before the RFP is released, a Plan Sponsor should ensure sufficient review has been undertaken to ensure the timing included in its RFP is accurate. In addition, the questions posed should cover all appropriate topics while allowing for concise, subjective responses by prospective bidders.

COMPOSITION OF THE QUESTIONAIRE

The basis of a questionnaire is the need for a high-level summary and background of the Plan Sponsor's plan(s). The total plan assets, annual flow including withdrawals/distributions, and number of participants is essential. Furthermore, historical data for the last two - three years should be provided if available, along with the asset breakdown of investment funds and ticker symbols if applicable. The more insight and data a Plan Sponsor is able and willing to provide, the more able bidders are to evaluate and reflect on plan specific trends. In addition, it will reduce the number of questions to which the plan sponsor will need to respond. Besides the Background section, other topics that should be included are Plan Sponsor Services, Participant Services, Technology, Implementation, and Investments (if applicable).

As much as the process can involve submissions from a significant number of bidders, brevity is important for comparison purposes. Most questions can be closed ended and provide only for "Yes" and "No" responses. In some cases, expansion of a "Yes" or "No" will require additional clarification. Plan Sponsors can specify a single paragraph to ensure context and concise answers. In addition, a Plan Sponsor should provide an overview of services currently available to both

Plan Sponsor and participants. It is also a section that allows a Plan Sponsor, in conjunction with its consultant/advisor, to provide a listing of potential services that they may wish to offer that may have been previously unavailable.

The Plan Sponsor can include specific measurement questions around the key service items and utilize NAGDCA and other peer organizations to establish expectations. For example, categories might include telephone representative response times as a key measurement for the participant experience. Web reliability is important for participants who frequently access their account so the stability of the bidder's managed platform is critical.

Additionally, it is very important to include questions about the existing plan data conversion. Ask questions about how much historical transactional data will be converted, if images will be converted, and especially how existing beneficiary information will be handled and transferred. Ascertain if there will be situations that require going back to the past provider for information; such as administering qualified domestic relations orders.

Furthermore, essay questions designed to highlight and describe critical services of importance to the Plan Sponsor should be limited to 250 words or less. Additional services included in the description and accepted by the Plan Sponsor should ultimately be provided for in the contract.

As part of any evaluation process, Plan Sponsors need to ensure that everything contained in the RFP response is accurate and representative of what they could expect were they to change vendors. The most credible way to confirm information is to request references from prospective bidders. References from "like" plans is generally recommended with categories that include current clients, clients who transitioned to the bidder organization within the last one to three years, and clients who have terminated their contract within the previous three to five years. Though contract termination is not always tied to administrative or service deficiencies, speaking with terminated clients can provide valuable insight about a plan sponsor's experience with a particular bidder company.

Evaluation of the Responses

Defined Contribution (DC) plan services are complex and there are a variety of specific components including recordkeeping processes, information technology, data security, call centers and voice response systems to consider. All require a great deal of data that needs to be considered and, most importantly, evaluated.

The typical first step is to determine whether the proposal "qualifies" for evaluation. This qualification process can be very high level, i.e. if a proposal is submitted, it qualifies. However, most Plan Sponsors apply a little more rigor to this process. Given that many RFPs have 50 to 200 questions, evaluation of proposals is a significant undertaking. A two-step process is common:

> Step 1: Determine that all procedural requirements have been met. As one would expect, there may be a great deal of variation among bidders, and the requirements may be dictated by procurement policies that govern the Plan Sponsor. To the extent possible, Plan Sponsors should not discourage capable and qualified bidders from responding nor should specifications and qualifications be overly onerous or unnecessarily complex.
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> Step 2: Evaluate the satisfaction of minimum qualifications that bidders must meet in order to bid. Usually these are qualitative and "provable" such as, "has provided DC recordkeeping services for X years" to "at least Y public sector DC plans with more than Z participants." If minimum qualifications are set, it is prudent to require an affirmative statement from the bidder or documentary proof that the bidder meets the requirements. Minimum qualifications serve an important role – to screen out

bidders that do not have the experience or capacity to provide the services. However, minimum qualifications should not be used simply to reduce the potential number of respondents. It is prudent to review proposals from all interested vendors that have the ability to provide requested services.

Once these critical hurdles are cleared, submitted bids are ready for evaluation. The two most common approaches are contracting with an investment consultant/advisor or outside expert to review the responses or, have an internal evaluation committee in place to review the responses. If applicable, either can be in conjunction with and under the direction of the entity's established procurement division.

Evaluation committees can be formal or informal in nature. An informal group is typically composed of individuals working in the department responsible for overseeing the plan…such as Human Resources/Benefits. They are generally on the small side with two to four members. A formal group is usually larger with five to ten members who utilize evaluators from multiple internal departments such as Finance and IT. Sometimes evaluators include union members, employee group representatives, or individuals from outside the organization with subject-matter knowledge of experience such as deferred compensation board or committee members, retired plan members, or employees from nearby similar government Plan Sponsors. Regardless of the formality of the group, members are usually actively involved with deferred compensation or are individuals with specific expertise.

In evaluating responses, the first step is to group the information into a manageable number of categories for rating/scoring purposes. While terminology differs and there are many sub-categories within each category, some common ones are:

- **Organization and History**: This typically includes financial stability, relevant experience, and references.
- **Recordkeeping and Administration**: This covers Plan Sponsor services, web capabilities/ technology, quality assurance, reporting, trust/ custody, implementation systems capability and security.
- **Participant services**: Communication and education, call center and voice response systems, participant internet, advisory and field services.
- **Investments**: Given the prevalence of open architecture, this area has increasingly focused on flexibility, proprietary fund requirements and stable value management.
- **Fees**: This is discussed in more detail in the next section.

Generally, bidders' responses to RFP questions along with other information and materials submitted such as communication samples, a demo website or modeling tool, financial statements and system and security practices audits are grouped under each category and reviewed by each evaluator in order to score each bidder. As the word implies, the e"value"ation process looks at multiple factors, considers strengths and weaknesses of bidders, and attempts to evalu "rate" each against the others. In addition, a systematic methodology to compare the information and make qualitative value judgments about respondents is essential. Such methodology should, of course, be compliant with applicable procurement rules and guidelines.

The next step is to use a uniform process to weight and score the responses. While every RFP process is different, there are some common aspects such as deciding how much weight or significance to apply to each category. Care should be taken in determining the weight and corresponding importance of each major evaluation category. This weight is then multiplied by each bidder's score. Since individual evaluators do the scoring, it is typical to use an easy to understand approach such as scoring on a numerical scale, e.g. 1 to 5, or providing "grades" of A, B, C, D and F. Evaluators should be encouraged to apply rigor to the process and look for areas in which firms differentiate themselves. A growing trend is to have certain questions in which respondents discuss their philosophy or approach to important services such as participant education or retirement readiness.

The evaluation process should also consider potential bumps in the road such as situations where one or more respondents misunderstood a key point. Evaluators should review all information including appendixes. In addition, while it is tempting, boilerplate language and typos do occur, and evaluators should not be unduly punitive.

PRICING GUIDELINES

Pricing is, as one would expect, a critical aspect of the overall RFP process; however, it should be considered as part of the "bigger picture." Pricing is arguably not important in and of itself -- what matters is value. The lowest bid from a bidder that does not have the capability to provide the services requested is not a good deal for the Plan Sponsor and, more importantly, participants. On the other hand, paying more than a market rate based on Plan assets or required services does not make sense either and may create fiduciary risk.

While Plan Sponsors need to beware of bidders that are "buying" business, they also should not pay more for services unless there is additional value being provided for that cost. For example, if an incumbent provider is not priced competitively after all Best and Final Offers (BAFOs) and fee negotiations, the Plan Sponsor will need to weigh the additional value the incumbent provides. This could include, but is not limited to, the bidder's experience and familiarity with the plan and its operations as well as the risk and cost of making a change in Recordkeepers. This additional value would then be evaluated against the pricing determination in making the final decision.

While price is important and may appear straightforward, it is actually the most complex part of the RFP process. Why? In most cases, Plan Sponsors are requesting a fee (asset-based, fee per participant, transaction- or service-based or combinations of these) that's assured for a contract term that is usually between three and seven years in duration. Not only are long-term projections needed, but evaluators also need to consider what drives revenue for the service provider, and how the possible long-term projections will influence the revenue received by the service provider(s) and ultimately, the cost of the plan.

In preparing its fee proposal a bidder will:

- Make projections of their cost against the potential revenue that is expected to be generated by the proposed fee structure. Cost is driven by the level of services needed. Services include a wide range of components including postage and printing costs associated with plan communication material, staffing a call center, maintenance of participant and Plan Sponsor websites, the level of on-site education required, and providing daily recordkeeping. Each bidder will have a slightly different approach to estimating the level and types of services needed to service the plan as well as how the cost of each plan activity is calculated. Bidders also vary greatly on how granular they are in the pricing process and there are a variety of factors that can affect the final price that is quoted in the submitted proposal. For example, a bidder who is interested in entering a new market or aggressively trying to expand market share for strategic purposes may price more aggressively than might otherwise be the case.

- Bidders will also project the variables that drive fee revenue. True revenue and how is it calculated is the subject of a great deal of debate and controversy. This is often a result of "revenue sharing" which is included in many investment options used in defined contribution plans.

- In its simplest form, pricing can be obtained with a fee-for-service approach. This means that services are priced without consideration to the investments that may be offered in the plan.

  - For an **asset based** fee estimate, the bidder will project cash flow which is both money in – contributions – and money out (loans, withdrawals, distribution and benefit payments including RMDs and installment payments). In addition, the bidder must make an assumption for account growth due to potential investment gains (or losses). This is more an art than a science – consider how significantly the total investment return of a plan is affected by the overall asset allocation of the total plan, which, in turn, is decided by participants.
  - For a **per-participant** fee estimate, the range of possible variations in estimating the number of participants is usually smaller and more gradual (nothing like 2008 when the equity component of the investment market dropped on average 34%), but still can have a large impact, especially when there are large reductions in force or through early retirement incentives.
  - **Transaction-based** fees are also important and can add significantly to the total cost of the plan. Typically paid by participants who utilize certain plan features and services, the most common are loan initiation and/or maintenance fees, annual self-directed brokerage window fees, and advice and managed account fees.

While the bidder is typically responsible for the up- and down-side risk in making its offer, it is important for Plan Sponsors to understand the assumptions that each bidders has made. If a bidder makes unduly rosy projections, it increases the possibility of future requests for fee increases or can lead to the service provider looking for ways to improve the financials of an "underwater" plan. It is prudent to have bidders disclose the assumptions they have made regarding assets and participants as well as services that drive costs and revenue such as loans, use of managed accounts, etc. and consider this information when evaluating the price proposal.

FINALS PRESENTATION AND SITE VISITS

The Plan Sponsor, whether operating exclusively with its own procurement department and/or a third party consultants/advisors, needs to provide clear guidelines and expectations for the finalist vendors. This would include identifying the appropriate weighting associated with the finalist's presentation as well as any potential site visit. A formatted schedule that identifies key presentation components or topics along with points/scoring information should be provided to each finalist. The finalist presentation start and end time is also relevant.

Similarly, for most consultant/advisor assisted site visits, there is generally an additional level of scoring associated with that event. Best practices suggest that any interaction of a prospective bidder warrants a scoring process to ensure equitable evaluation. The site visit itself can represent somewhere between 10-15% of total overall scoring.

Importantly, the Plan Sponsor must provide specific guidelines that state that no contact is permitted outside of the process and site visit to ensure equality in the process. Finally, the site visit provides a hands-on opportunity to review recordkeeping, services, etc.

From a review standpoint, the weighting of key topics provides a high level summary of potential scoring to bidders. Process confidentiality and integrity is crucial so a designated Procurement/ Contracts Manager should be appointed and involved in collecting scores and/or monitoring the evaluation process to ensure consistency. As mentioned earlier, consistent scoring and weighting is important. Thus, the rules should be explicit in order to minimize discussion between committee/ sub-committee members and potential bias for or against any prospective bidders. For many larger programs, the involvement of a procurement administrator or third party consultant/advisor can prove particularly valuable to ensuring best practices and full compliance.

Performance standards and guarantees need to be explicit and consistent. As such, reasonable dollar figures or percentages of revenue for non-performance can be assigned to each.

The Plan Sponsor and/or its consultant should consider identifying overview topics for any required presentation. The topics can be the same for each finalist or include differentiating topics to help in the overall decision making process. To ensure an optimal use of time, it is often helpful to provide questions that must be answered during the finalists meeting ahead of time. This allows for maximizing the substance for the evaluating committee. Bidders should be informed of reasonable expectations during the process

Effectively, plan sponsor and employee/participant services will always be a key element of any offer. Plan administration that assures minimal transactional errors, e.g. contribution and distribution processing, is critical. For Plan Sponsors who decide to change Recordkeepers, the ability to successfully complete the transition within a specified time, and with minimal inconvenience to participants, is extremely important. It is imperative to ask for a conversion plan, and detail about what data will be converted in the RFP process and finals presentation. If you can participate in a site visit, you can learn more about the conversion process.
The Plan Sponsor, in conjunction with its consultant/ advisors, should provide the evaluation committee/ sub-committee members with questions that can be asked of prospective bidders. These questions often allow for clarification of topics that may not have been completely clear in the RFP response. The process should also allow for questions that address topics of interest to specific committee members. For example, perhaps the public safety group is accustomed to a higher than expected level of individual service. The ability to continue current service levels is likely to be of importance to their committee representative when evaluating bidders.

For site visits, understanding the culture of the hosting vendor is critical from a comfort standpoint. Committee members should be encouraged to evaluate the vendor's behind the scenes staff, and in particular team members who will be taking care of your program and employees. Plan Sponsors should encourage committee members to interact with representatives who members will interact with to learn if the culture painted concurs with that represented in the RFP response. As such, the Plan Sponsor can request specific service team members be part of the presentation team. During this stage of the process, open-ended questions that minimize "yes" and "no" answers and encourage conversation are often useful for gathering helpful insight and knowledge about the firm.

IMPLEMENTATION OF CHANGES

Regardless of the Plan Sponsor's criteria in evaluating the "Best and Final" presentations of an RFP, an Evaluation Committee will eventually need to narrow the process down to a single vendor that they will recommend to begin contract negotiations with. It is essential that Plan Sponsors be prepared and establish a process that addresses the following:

1. Potential protests from unsuccessful vendors and participant base;
2. Having and/or knowing the established process in place to begin contract negotiations with the successful and recommended bidder;

3. Process to implement the new successfully negotiated contract;
4. Development of an effective communication strategy and timeline to notify plan participants
5. Development and execution of the plan transition process including awareness of the data that will be converted; and
6. Marketing strategy and future plan success measures.

Handling Protests

The RFP process is in place to afford the Plan Sponsor and more importantly, plan participants, the best opportunity to attain the best pricing structure, rate guarantees, and service guarantees possible based on plan asset size, structure, and demographics. It is inevitable that bidders will not be selected or chosen and, in the event that an unsuccessful bidder is a current incumbent company, there are likely to be participants within the program who disagree with the Plan Sponsor's decision to change vendors. Plan Sponsors should be prepared to address such concerns.

As mentioned earlier, many larger Plan Sponsors may have a Purchasing/Procurement Division and/or utilize a contracted Investment Consultant/Advisor to assist with the creation and execution of the vendor RFP, and they usually have an established process, backed by established law or regulations, that outlines a specific procedure that unsuccessful bidders and participants must follow in order to move forward with the protest process. For unsuccessful bidders, it may require execution of a formal legal action outlining that company's argument with the process. Additionally, many Plan Sponsor procurement guidelines may require the posting of a surety bond of a certain percentage or amount to ensure that if the protest or appeal is unsuccessful, the Plan Sponsor may recover legal or other expenses.

Smaller Plan Sponsors can and should develop a similar process. They are encouraged to seek the counsel of a qualified Investment Consultant/Advisor to help in the establishment of this process, reach out to other neighboring Plan Sponsors for modeling their developed process, and/or confer with other Plan Sponsors via the NAGDCA Network, for similar assistance.

With regard to participant protests, it is virtually impossible to make everyone happy, and people inherently resist change. Plan Sponsors should develop and execute program marketing and communications that prepares participants in advance of potential changes, informs them of the criteria that led to the contract award, and ensures that each is informed of the process and what to expect with contract implementation. This can be accomplished through newsletter, electronic, and written communications. The key is to make sure participants are well informed so when the changes take place, Plan Sponsors can minimize the potential of protests and establish that full due diligence was exercised to reach a good faith decision deemed to be in the best interest of participants.

Contract Negotiations

Industry professionals understand that in the procurement process- developing and delivering a competitive proposal, along with being selected as the top bidder, an established RFP is just the first step in being able to attain business. Industry professionals also understand that, if they are the winning bidder for a successful RFP, they will be expected to negotiate a mutually agreeable contract that highlights and includes all of the promises and declarations presented by the bidder both in the initial proposal and through the Best and Final Offer (BAFO). It is important for Plan Sponsors to create a contract that highlights and includes every proposed parameter of the initial proposal and the BAFO to include clear dates of execution and termination, the overall price structure or offering, and additional administrative fees, representations, marketing, and other service guarantees, for example. One key point to acknowledge is that the vendor is not obligated to uphold the item or service if it is not in the contract. For this reason, many Plan Sponsors incorporate the RFP and Cost Proposal as amendments to the final contract.

Contract Implementation

Once a contract is successfully negotiated, the Plan Sponsor should have a plan in place to transition and implement the contract. Many factors come into consideration when implementing and executing a new contract whether it be with a Recordkeeper, Investment Consultant/Advisor, or Auditor, for example. It is vital to be familiar with the procurement laws and contracting guidelines of your State, City, County, Utility District, Special District, Public University, K-12 District, or Agency, and to seek guidance from purchasing professionals who may be employed by the Plan Sponsor. Additionally, if your plan contracts with an outside Investment Consultant/Advisor, they can be vital in the process of outlining negotiated terms, conditions, performance standards and benchmarks that should be present and itemized in the contract. They can also identify other required incorporated documents or attachments that identify the scope of work and are usually listed in the highest order of precedence. Plan Sponsors need to identify all parties, required under their respective statute or regulation, who have appropriate signature authority to execute the contract. Additionally, the Plan Sponsor's legal counsel should be involved in the review and consideration.

Some Government Plan Sponsors have adopted a specific process in statute for contract approval, implementation, and execution. It's imperative that this process be known and followed. As a final point of consideration for the success of a contract or a specific contractor, it is important to replace the attitude of, "*It's their (the vendor's) contract, and it's their problem*", with the knowledge that the Plan Sponsor's success is highly dependent upon the contractors' success.

Participant Notification

Participant notification does not begin when a contract is negotiated. A separate marketing/ notification plan should be organized and implemented at various benchmark dates allowing participants to understand the following:

1. ***What is taking place*:** A change in the contracted Recordkeeper, Investment Consultant/Advisor, etc.
2. ***Why the process is necessary*:** Is your plan bound by statute to go out to bid for a particular contract every three, five, seven, or ten years? Is the RFP being solicited as a result of a significant growth in assets with the hopes to negotiate a better pricing structure and/or service guarantees or standards? Is the current contractor not performing to the Plan Sponsor's standards?
3. ***When participants can expect changes*:** Develop an itemized timeline of expected events throughout the process, and effective communication pieces to notify, educate, and prepare participants for the changes.
4. ***Where participants can go to obtain information regarding the transition or newly executed contract*:** Plan Sponsor Website, successful bidder's website specific to the transition, Plan Sponsor newsletter, and/or individual HTML (electronic) pieces highlighting specific benchmarks in the process, etc.
5. ***What benefits participants are expected to receive with the new contract*:** Most important to highlight better pricing structure, increased guaranteed interest rates on stable value options, better service guarantees, etc.

Rest assured that consistent regular communication with participants, prior to implementation of a new contract, will establish buy-in to the changes, and implementation of the contract will be easier to market when the new contract begins. The communication to participants should be a gradual and informative process that addresses concerns as they arise. Successful transitions involve addressing concerns and challenges head-on as they happen.

Transition and Communication into the Future

It is imperative that the Transition Plan is developed, executed, and followed before, during, and after a contract is implemented. As a Plan Sponsor, establishing a good and ethical working relationship with your successful bidder is crucial in ensuring the success of your program. One thing for the Plan Sponsor to consider is the execution of a Contract Start-up Conference to ensure that the contract "*gets off on the right foot*". Planned, organized, and structured discussion between key representatives from your entity, agency, board/committee, and/or the Recordkeeper allows the Plan Sponsor to document and resolve any oversight, minimize misunderstandings of requirements, and most importantly, address and hopefully prevent any potential problems. An in-person conference is highly recommended so all parties can identify each other. It can also involve written correspondence, teleconferencing, conference calling, or other methods that engage parties. This conference is a great time to establish the levels of authority of the contract manager as well as that granted the contractor by the Plan Sponsor or governing authority. Additionally, the conference is helpful to familiarize the successful bidder with the Plan Sponsor's organizational chart, payment or billing terms and procedures, reporting expectations and requirements, administrative procedures, and contractor performance evaluation criteria.

As noted above, a Contract Administration Plan should be developed that identifies the following items and performance expectations for both the vendor and Plan Sponsor:

- Contract number or identifier
- Statement of Work Summary
- Roles and Responsibilities of the Contract Manager and/or Plan Sponsor
- Reporting requirements
- Critical milestones or benchmarks that pertain to the contract terms
- An established Communication and Education Plan
- Payment or billing procedures
- Problem resolution procedures
- Performance Measurements and Monitoring
- Vendor Performance Evaluations
- Contract Close-out Process

Assisting the contractor with developing and implementing an Annual Marketing Plan is an essential component to the ongoing success of both the contractor and Program. Plan Sponsors should also consider collaborating with the contractor to develop an Annual Administrative Plan that outlines goals and objectives for the year. Often included within the Administrative Plan is a Communication and Education Plan to guide and assist the contractor and Plan Sponsor in accomplishing established goals and objectives.

Inclusion of benchmark data can also be helpful to the ongoing evaluation of program successes, etc. Finally, a schedule of regular conference calls or meetings is recommended so Plan Sponsors and contractors can mutually track in-process and completed work and tasks, highlight successes, address potential problems or concerns, review program marketing, and discuss ongoing vendor performance.