



Trends

CHOOSE WISELY

Keep governance in mind when selecting a consultant to manage an RFP process

BY SCOTT MACDONALD

Transparency and good governance influence how Canadian pension plan sponsors manage their plans. While many continue to choose service providers via transparent internal processes, plan sponsors are increasingly employing consultants to run request for proposal (RFP) processes—a practice that offers the consultant a significant voice in how the plan assesses potential service providers. For this reason, plan sponsors need to apply the same rigour to selecting a consultant as they do to managing their plans.

Following are five points that plan sponsors should consider when choosing and working with a consultant to manage the RFP process.

Local market knowledge: Corporations operate within a global context, and each market has distinctive nuances. A broad on-the-ground presence provides insight into interpretations of rules and regulations and an understanding of how the market has evolved. Does the consulting firm have a long-term physical presence in this market, or is the analysis undertaken out-of-country? A one-size-fits-all RFP, processed abroad, can minimize the unique needs and solutions that a Canadian plan sponsor requires.

Key contact risk: The RFP process can be lengthy, and the consistency of players throughout is an integral part of the

supplier-client relationship. Introducing new consultant partners in the midst of an RFP can often muddle the process and confuse the client. Plan sponsors need to understand specifically how many local points of contact exist with the consulting firm and what the risk is to the timing and continuity of the RFP process if there is a staff change among one or more key individuals.

Motivation: Understanding the consultant's business drivers is essential. How will the consultant be compensated—for this specific process or for a bundle of activities? If remuneration is related to fee concessions achieved during a formal RFP, does the firm's record show that it tends to choose the lowest-cost provider, regardless of other factors? If so, will it provide a fee rebate if you are not satisfied with the new provider's work?

Track record: Asking for formal references is part of hiring even the most junior employee; selecting an RFP consultant demands the same diligence. What is the firm's track record in Canada? Can it offer references who have used its services more than once and who can comment on longer-term post-implementation satisfaction? Does the


consulting firm offer bidders post-mortems, or is selling advice to the bidders part of its business model?

Customization: No two pension plans are exactly alike, so plan sponsors working with consultants should ensure that the RFP has been tailored to the plan's unique needs. Are the weightings and areas in the RFP clear and appropriate? Are the consultants using an RFP template that considers the unique risks and options applicable to your plan?

In June 2009, the Ontario government introduced more stringent procurement procedures for public sector

organizations, forcing the issues of more efficient use of consultants, disclosure of weightings and post-mortem explanations.

The decision to review providers—and whether or not to use a consultant to help—must also factor in the time, resources and costs associated with transitioning to a new provider, including consulting fees. If cost savings is the main objective, the plan sponsor may not realize that benefit for some time.

An effective consultant will support the overall governance of the *plan*, not just the RFP. Having well-informed voices at the decision-making table can mean the difference between the illusion of good governance and the reality. 

Fact File

Scott MacDonald is head of pensions, insurance and financial institutions products, with RBC Dexia Investor Services
scott.macdonald@rbcdexia.com

BIRTHPLACE
Hamilton, Ont.

EDUCATION
Wilfrid Laurier University

The University of Western Ontario

EXTRA-CURRICULAR
Past-president of the Wilfrid Laurier University Alumni Association