
Looking for a New Pension or Benefits Consultant?

What are the most important traits you need in a pension advisor? How can you pick out the best advisor for your pension or benefits plan? This is the second part of four in a series of articles in which I will provide some insights that I have gained over my 35 years working as a consultant.

I provide some sample questions that you could ask potential consultants to address as part of their proposal and/or during the finalist interviews. The comments and questions focus on items that are rarely addressed in RFPs. They are intended to help you improve the quality of information you receive from potential consultants so that you can make a better-informed decision.

Responsiveness & Timeliness

Nobody likes to be kept waiting for a consultant to respond or deliver a promised letter or report. The life of a consultant involves juggling competing deadlines and priorities – much like your life. How the consultant handles the various demands will affect your relationship.

You can of course play a big role in timeliness. When communicating a deadline, it can help if you indicate how critical it is – especially if you have no wiggle room and there is no room for delays.

You should also do your part by keeping any unreasonable requests to a bare minimum. Consultants will generally do everything they can to help you out of an “impossible” deadline if you are not in the habit of making urgent and short notice requests. If you frequently push back on a consultant’s timeframe or are often late delivering required information, you will find your consultant starts to become inflexible, pushes back at you, is more often late with delivery, or your costs increase.

Even if you do your part, there is no guarantee that your consultant will be timely and responsive. So you need to set expectations and get some guarantees.

16. What is the lead consultant’s and your corporate target for responding to voice messages and emails?
17. What is your administration team’s target for termination, death, retirement and marriage breakdown calculations:
 - a. for completing pension calculations?
 - b. what percentage of calculations are completed within that time frame?
18. For clients where you assist in completing regulatory reports, what percentage are filed after the deadline, either with or without a request for extension? (You may exclude situations where you provided all the information to your client at least three weeks before the deadline unless the client had set an earlier deadline).

19. For how many clients do you provide payroll input information and what percentage of all payroll deadlines are met?
20. When you are not available, what procedure do we follow if we need an immediate response?
21. For your other clients of a similar size, how long does it typically require to complete the following tasks?
22. For one of your references, how did you handle a situation where you missed the deadline for a project?

Ethics and Reputation

You probably do not want to use a consultant whose ethics do not line up with your corporate ethics. It would be nice if you can determine just how far a consultant is willing to “push the envelope” and whether that is consistent with your comfort zone.

If you have some corporate policies in place (e.g. code of conduct, conflict of interest, privacy) it would probably be better if your consultant agreed to be bound by your corporate policies rather than their own (assuming they have such policies). That way, you do not need to worry about gaps between the different policies.

It is important to recognize that at some time, you will almost certainly be terminating the consulting relationship. You may get along very well with a consultant while there is ongoing work, but once the decision is made to switch consultants, even the most accommodating person could turn nasty. The consequences are that you could be held hostage if things get really bad. You can greatly reduce that by dealing with the issues up front and making sure they get embedded in any contract you sign. Consultants will agree to almost any reasonable request during the courtship, so you should take advantage of that.

23. Why should we trust you?
24. Will you and your firm agree to be bound by our corporate code of conduct, conflict of interest policy and privacy policy, together with any amendments, with respect to all work that you do for us?
25. Briefly describe the reputation that you and that your firm has within the industry and your clients. Provide a brief example of a recent situation that demonstrates this reputation.
26. Who owns the reports and letters that you produce while we work together?
 - a. Paper copies.
 - b. Electronic copies.
27. Who owns the data that you maintain for providing your services and administering our plans? Are there any exceptions?
28. When we terminate your services, what process will you follow to provide the required information to our new consultant and within what time frame? If we request that you provide the information as paper, electronic or both forms, will you do so?

29. What will the charges be when we terminate your services:
 - a. as a result of the termination?
 - b. to transfer data and reports to our new consultant?
30. Briefly describe a recent transfer to another consulting firm, indicating the time elapsed from the original request to completion; the nature of the information transferred and any requested information you declined to deliver.

Client Turnover and Depth

Recent client gains and losses can give you a guide to others' opinions of a consultant. If a consultant is losing clients and gaining few new ones, it may be a sign that they are not doing a good job of meeting client expectations. A firm that is losing clients but also gaining new ones may be good at marketing and poor at delivery.

Turnover should be used carefully and definitely combined with information you get from references. There are some reasons why a consultant loses clients that have nothing to do with the service provided. Some international clients receive orders to use the same firm as the parent company. Others have decided to consolidate providers. Others may go out of business. And sometimes the new CFOs brother-in-law may be a competitor who is anointed as a replacement.

You should also consider finding out how many other clients the consultant has and how they compare with your organization in size and complexity. (Within the pension and benefits industry, size tends to be measured by number of employees although total assets and/or premiums/contributions are also used.) If you have 1,200 employees and the consultant's largest existing client has 150, that consultant may not have the necessary experience – both servicing the level of complexity you may have nor the resources to meet your service expectations. However, if your employee base is 2 or 3 times the consultant's largest existing client, that is a jump in size that can probably be handled without problems.

Similarly, you also should be concerned if you will be a very small fish in a pond of large ones. I personally believe that the ideal is to be part of a mix of client sizes, as this provides the consultant different perspectives that could be beneficial to you.

31. How many clients does your firm have and how many does the proposed lead consultant have that are larger, similar and smaller in both size and complexity compared to us?
32. If you are selected to provide these services, what percentage of the lead consultant's total revenues under management will our business represent?
33. How many clients of your firm and how many of the proposed lead consultant have terminated services with you partially or completely in the past three years and what was the reason they provided?
34. How many new clients has your firm gained and how many has the proposed lead consultant gained in the past three years and what was the reason they provided for choosing you?

Staff Turnover and Depth

Consulting is based on trust, relationships and understanding. Normally, one wants a long-term partnership with a consultant and the rest of the staff with whom you will be working.

Turnover can happen for the normal reasons that lead to an end of employment, but there can also be turnover when clients are reassigned. That can happen when a lead consultant gains a new client and has to shed some existing clients to make room. Support staff may get promoted and move off an account. Some consulting firms may not have a dedicated team of support staff for each client, and just use whoever is available. If you have no interest in talking to anyone but the lead consultant, other staff turnover should be of no or little concern to you. But if you like to deal directly with support staff, their longevity is almost as important as it is with the lead consultant.

In your RFP, make specific reference to a lead consultant. Some firms have sales specialists who will likely have little or nothing to do with your relationship shortly after you award the business.

For the finalist interviews, you should require the lead consultant attend and be an active part of the presentation. It will matter little what the sales specialist says unless they will be an integral part of the team. But let the sales specialist have some time. Many excellent consultants are not great at selling and you may miss out on a perfect match if you completely stifle the sales person.

If you plan to talk with the support staff for day-to-day issues, then feel free to ask that they attend the finalist presentation and have some specific questions for them. But remember that they likely have little experience with business development and they are more likely to be nervous. You may be the first finalist presentation they have attended. You should be assessing their knowledge and professionalism and ignore their nervousness and possibly less than polished manner. During their regular dealings with you, they are more likely to be in their comfort zone and not so nervous.

35. Describe the lead consultant's relevant experience and personal attributes that would lead her or him to be successful in working with us.
36. Describe alternative arrangements when the lead consultant is unavailable.
37. Identify other members of your team who will serve us and describe their roles and experience.
38. How long will your key contacts remain on our account?
39. What is the annual turnover rate during the past year for pension consulting (or benefits consulting and/or administration) staff at the office location that will serve us?

This is part 2 of a series about selecting a new consultant. The parts are:

Part 1

- Expertise & areas of service
- Quality of service
- Accuracy

Part 2

- Responsiveness & timeliness
- Ethics & reputation
- Client turnover & depth
- Staff turnover & depth

Part 3

- Financial strength & limitation of liability
- Cost & billing practices

Part 4

- Your firm
- References
- Consulting advice