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## 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 final 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.*

### Your firm

Whether you ask the questions or not, you will probably get lots of information about each bidder. Much of it may not hold a lot of interest for you. It is worth asking questions about the specific things you want to know. (You could also include a comment in the introduction to your RFP that proposals should answer the questions posed and only the questions posed. That should let you assess how well the consultant is at providing succinct answers.)

63. Describe your firm's history, ownership and organizational structure. Indicate whether your firm anticipates any structural or location changes in the near future. If so, please describe.
64. Is your firm part of, or part owner of, a joint venture and if so, explain how that will affect your services and our consultancy relationship?
65. What differentiates your firm from your major competitors?
66. Describe your presence in the Canadian marketplace for actuarial, pension and benefits consulting.
67. Describe your firm's policies and practices regarding:
  - a. data and records management including retention periods, security, maintenance of confidentiality, back-up, data loss and recovery.
  - b. systems security and back-up.
  - c. risk management and quality control.
68. Does your firm have any financial relationships with any affiliated or other organization?
69. Does your firm sub-contract any aspect of the services to be provided? If so, please describe the arrangements and provide the security information requested above with respect to the subcontractor(s).

70. What additional services does your firm provide that may be of interest to us?

It is customary to request references in an RFP, yet infrequent that organizations call them. You can find out some useful information from reference calls. For example, I recall a situation where two of the three finalists received very poor reports from their references! If you ask for references, then you should make use of them.

The following are some sample questions you could ask of a reference. A good approach is to ask some leading questions that will help remind the reference of past good or bad situations.

71. Is your consultant proactive? Was there ever a time when you first raised an issue that you felt the consultant had missed?

72. Do you believe that they understand your business and specific needs of your organization and plans?

73. Were there any projects that were not completed on time and if so, how did they handle the situation?

74. Do they complete all projects within budget and if not, how do they handle the situation?

75. How often do they bill for items that are out-of-scope from the original project cost estimate or quote?

76. Is their analysis of issues accurate and relevant to your situation?

77. Do they provide useful recommendations and help you select the best solution or do they just lay out the alternatives and avoid giving advice?

## **Consulting Advice**

The RFP/proposal stage is a great time to get free consulting advice. So ask the various bidders some specific questions that are important to your situation. This also gives you the opportunity to see the consultant in action and assess the type and quality of advice they provide. Some questions could be asked through the RFP and others saved for the finalist presentations.

I am a proponent of having the finalist interview focus on a discussion of your plan and the consultant's advice. In fairness to the bidders, you should allow them a few minutes to present their services. A good consultant should be able to do that well within 10 minutes, leaving the balance of the interview for a discussion of items important to you.

I also suggest posing a few of your key questions in advance of the interviews. That gives you an opportunity to assess how well each bidder can present their work after having time to prepare. Keep a few issues to be asked during the interview so you can assess how well each bidder thinks on their feet.

If you do use the RFP and finalist interviews for a consulting discussion, you should ask the same questions of each bidder so you can better assess the relative quality of their responses.

If you plan to go this route, advise the bidders of the process in advance, so they do not spend time preparing a 45-minute presentation that will not get used. Set out your agenda, such as:

- Introductions 5 min
- About your firm 10 min
- Discussion of questions posed in advance 20 min
- Additional questions and discussion 20 min
- Closing comments 5 min

While it is customary for finalist interviews to be one hour, there is no reason you have to follow that. If you are willing to spend two or three hours with each finalist, you will get a much better idea of what they offer and their consulting style.

To get useful responses, you will probably need to provide more information to the bidders than you might otherwise. This could include a plan summary, recent financial statement, renewal report and/or latest actuarial valuation.

The following questions probably work for all plans, but you should feel free to add any questions specific to your situation (that can be answered based on the information you provide to the bidders and within a reasonable time).

78. What is unique about our plan or situation and how will that affect your services?
79. What are the top three issues that you believe we should address for our plans?
80. What are the five main risks/opportunities we face?
81. If you were independently advising our members, what would your assessment of our plan be?
82. What could we be doing better?
83. What are we doing that is unnecessary?
84. How could we be more cost effective if we worked together?

## **Conclusion**

The complexity and cost of both pensions and benefits makes it worthwhile to spend the time to get a good consultant. In the long term, a good consultant can save you both time and money. A poor consultant will almost certainly cost you.

Of course, there is much more to consider than just these questions. The basic RFP and selection process is reasonably similar to other purchasing decisions. There is a lot of good general guidance available on the Internet or through your procurement department. This series of articles has focused on items that are primarily specific to pensions and benefits.

Happy hunting and may you find an excellent consultant.

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*This is part 4 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*