



# REALIZING COST SAVINGS AND SERVICE ENHANCEMENTS THROUGH A VENDOR SEARCH

## CASE STUDY

### CHALLENGE

The Client engaged the Multnomah Group to assist them with a recordkeeping vendor search for their existing 401(k) plan. The Client's primary objectives were to improve overall service levels to their plan, achieve a best-in-class investment array, and control plan costs.

#### Client Profile:

- Specialty diagnostics company with 12+ locations in multiple states
- 2,700 eligible employees
- \$350 million in plan assets
- \$2.72 million in total annual fees; \$950,000 in annual bundled retirement services fees

### PROCESS

Working with the Client, the Multnomah Group developed and distributed a custom Request for Proposal to 10 potential vendors, including the incumbent vendor. Each bundled services proposal was carefully evaluated according to 11 categorical metrics, which were weighted according to the Client's search objectives. The categorical evaluation metrics were experience and reputation, client service model, client service levels, technology, education and communications, call center and voice response system, administration, regulatory services, implementation process, investments and fees. The Multnomah Group then prepared a summary profile of each vendor's response and scored each proposal relative to one another. We presented our comprehensive comparative analysis to the Client, recommending that four finalists be interviewed. With the Client's approval of our recommendation, the Multnomah Group coordinated and documented each finalist's presentation and facilitated the attainment of necessary supplemental information.

### RESULT

The Client ultimately selected the vendor whose service offering most closely aligned to the Client's search objectives, and whose proposed fees created the most value in light of the proposed services. The vendor search process availed the Client of the following cost reduction and service enhancements:

### A significant reduction in fees

- At the initial stages of our engagement, the Client did not fully comprehend the plan's fee structure. The Multnomah Group provided a comprehensive fee analysis and benchmarked current fees to the market. Our conclusion was that the Client's current fees were at least 25% higher than average market fees. The incumbent vendor did not have a set revenue requirement, and kept all investment revenue.
- The Client's new vendor established a set revenue requirement, with excess revenue funding a plan expense reimbursement account. The new vendor's revenue requirement effectively reduced the plan's bundled services fees by approximately \$700,000 (over 73%) in the first year.

### Improved investment choices

- The Client's prior vendor required the use of proprietary target date funds in the retail share class, making these funds considerably more expensive than other available share classes.
- The Client's new vendor provided an open architecture investment platform with no proprietary fund requirement. Additionally, total plan costs were even further reduced through the negotiation of lower cost investment share classes.

### Service enhancements

- The Client's prior vendor provided sporadic and unmeasured employee education and communications.
- The new vendor's client service team included a dedicated education consultant who will design a well-strategized education program for all employees, regardless of their location. The success of the new vendor's education efforts will be measured and reported to the Client. Additionally, the new vendor's service offering included participant advisory services at no cost to participants.
- The prior vendor's participant website did not include savings analysis tools.
- The new vendor's website includes robust savings analysis tools and other employee education resources.
- In the previous service environment, the Client experienced disorganized and unresponsive service.
- The new vendor provided a dedicated, highly qualified and experienced service team to deliver well-defined service levels. Additionally, the new vendor placed fees at risk if service levels are not met.

To find out how the Multnomah Group can help your organization achieve its goals please feel free to contact one of our consultants.

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