



CASE STUDY: ENGINEERING AN IMPROVED BENEFIT A RECORD KEEPING VENDOR SEARCH SUCCESS STORY



Simpson Gumpertz & Heger

National Engineering Firm: 401(k) and Profit Sharing Plan

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BACKGROUND

Simpson Gumpertz & Heger (SGH) is a privately-held engineering firm that designs, investigates, and rehabilitates structures and building enclosures. Founded over 50 years ago by three former MIT professors, the firm has a reputation for assessing structural or interior damage to buildings. Named a "Best Firm to Work For" by *Structural Engineering & Design* and *CE News* magazines for the past 5 consecutive years, SGH cares about how employees work and live.

THE PROBLEM

SGH's engineers are not alone in their ability to assess structural problems; it's in employees' DNA. Julie Nevins, Director of Human Resources, explained that they hadn't done a record keeping vendor search in almost ten years because for most of those years they were very satisfied with the provider. Then the relationship seemed to unravel on the service side, with errors in forfeiture processing, 415 testing, and the crediting of unique provisions in their program. This, coupled with service team turnover and difficulty with successfully providing educational meetings to multiple locations, led SGH to lose confidence in the provider.

THE PROCESS

The record keeping search NEPC conducted for SGH in 2010 was different than the one NEPC did 10 years earlier. Paul Kerry, ASA, EA, the Senior Consultant that leads NEPC's vendor search practice explains, "we built our database using a Request for Proposal that includes 1,000 targeted questions, whereas then there were about 150 broad-based questions we were asking providers. Any of the providers today can record keep a

large plan, but not all can record keep the provisions of a *particular* plan. Further, half of the providers we looked at for SGH in 2001 don't exist today—there has been so much change and consolidation in the industry."

SGH's Corporate Senior HR Specialist - Benefits, Gina Driscoll, added, "My concern was finding a provider that could support the unique provisions of our Plan without changing the things people loved about it—like the investments. But the RFP was clearly-defined and comprehensive, comparisons were apples-to-apples, and the solution we found was a great one."

THE SOLUTION

What initially began as an investigation of service problems led to the issuance of a RFP, and ultimately a change in service provider. SGH identified a new provider with a strong compliance department because that was a problem they were trying to solve. They also focused on communications because that's their culture and they obtained lower fees because that's the RFP process—a competitive bid. Plan servicing improved greatly, educational meetings were provided in all locations, and both SGH and NEPC were able to call this a true record keeping vendor search success story.

RECORD KEEPING VENDOR SEARCH

TOP REASONS FOR A VENDOR SEARCH



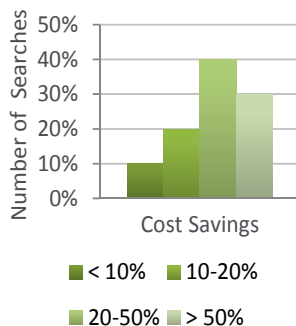
- Due Diligence
- Service Problems
- M&A

TOP BENEFITS FROM A VENDOR SEARCH



- Lower Fees/Better Cost Structure
- Better Plan Sponsor Experience
- Better Participant Experience

COST SAVINGS IN RECENT SEARCHES



WHAT IS IT?

Record keeping involves services related to the monitoring of participant transactions and the maintenance of their accounts, records and statements. A record keeping vendor search is a Request for Proposal (“RFP”) process that puts those and other services (like communications, compliance, trust and investment) out to competitive bid. When NEPC conducts a vendor search we help develop and issue a customized RFP that is targeted to the needs of the Plan and sponsor. We evaluate the RFP, interview candidates, negotiate contracts and, in general, support the client in every way we can.

WHY DO IT?

Due diligence is the number one reason for conducting a vendor search. Record keeping and administrative fees represent about a third of total plan costs within a defined contribution plan and as a plan fiduciary, you have an obligation under ERISA to ensure that the fees of a plan are reasonable for the services provided. While plan sponsors can negotiate pricing with their service providers on a regular basis, putting a plan out to competitive bid through a vendor search at the end of every contract term (i.e. three to five years) is a best practice.

WHAT IS THE TIME COMMITMENT?

One of the myths of conducting a record keeping vendor search is that it is going to take a lot of the Human Resources Department’s time. Another is that changing providers is disruptive to employees. But providers today have sophisticated conversion teams, and from a participant perspective, on day T-1 they are on one provider’s web site and on day T+1 they are on another’s. Plan sponsors need to plan for a vendor search—it is a long process, but NEPC and the vendors do most of the heavy lifting.

WHAT IS THE RESULT?

NEPC has conducted about 50 vendor searches over the past five years. Half of them have resulted in a change of provider and almost all of them have resulted in a material change in services, and/or fees, validating the importance of this exercise.

For More Information:

Paul J. Kerry, ASA, EA, Senior Consultant, leads NEPC’s vendor search practice. He has 35 years of experience in the design and administration of qualified and non-qualified retirement programs.

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