



First Citizens Wealth®



# The complete guide to conducting a retirement plan RFP

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As a plan sponsor, you have a fiduciary responsibility to evaluate your retirement plan on a periodic basis to ensure it continues to meet the needs of your organization and participants. One of the most effective ways to fulfill this duty is through a formal request for proposal, or RFP, process.











However, a thoughtfully executed RFP is more than just a compliance exercise—it offers a valuable opportunity to reassess many aspects of your retirement plan, identify potential improvements and ensure it's competitive, cost-effective and aligned with your goals.

While this guide and the **accompanying template** are designed to help you manage a retirement plan RFP, you don't need to navigate this complex process alone.

At First Citizens Wealth, our **full-service advisors** can guide you through the process, evaluate potential providers and build a robust benefit offering.



## Navigating the RFP process

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## Step 1: Determine if an RFP is necessary

The purpose of a retirement plan RFP is to solicit information from multiple service providers and compare their offerings and fees. According to guidelines from the Department of Labor and the Employee Retirement Income Security Act, or ERISA, employers have a fiduciary duty to ensure their retirement plans are managed in the best interest of participants and beneficiaries.

While the RFP process has long been viewed as a routine fiduciary requirement, it can also be a catalyst for improvement. When approached strategically, the process can uncover new technologies, streamlined administrative tools or improved participant education services—all of which can have a meaningful impact on the success of your plan.

“It gives plan sponsors a chance to really evaluate all of those components at once,” explains Andy Johnson, Director of Institutional Trust Administration at First Citizens.

### Reasons to initiate an RFP

- ☒ Fees that seem opaque or unusually high
- ☒ Low participant engagement
- ☒ Concerns about service quality
- ☒ Lagging performance
- ☒ Organizational changes
- ☒ Shifts in workforce demographics
- ☒ Litigation

The Department of Labor doesn’t enforce a mandate for how often plan sponsors must initiate an RFP. Instead, they generally advise employers to reassess their plan and vendors every three to five years. The right frequency will ultimately depend on your organization’s size, the complexity of your plan and its offerings, significant changes in your needs and market conditions.

According to the Plan Sponsor Council of America’s 2023 survey, nearly a quarter of plan sponsors said they had issued an RFP in the past two years. Nearly 70% of those who conducted an RFP changed their recordkeeper, and 15.6% of respondents were able to reduce fees as part of the process.



## Benchmarking: An alternative approach

While the RFP process serves an important fiduciary function, it's intended to be a tool for decision-making. "If you're not ready to change vendors, then don't do an RFP," advises Chris Bettis, Institutional Business Development Officer at First Citizens.

If you're satisfied with your current vendor and simply aiming to fulfill your fiduciary duty, **retirement plan benchmarking** may be a more appropriate option. Benchmarking is a strategic exercise that allows you to compare your retirement plan's services and fees against industry standards. Yet despite these benefits, 34% of employers aren't benchmarking their retirement plans as *often as they should*.<sup>1</sup>

"If you're not benchmarking, you're likely leaving value on the table," says Bettis.

When done periodically, retirement plan benchmarking can also help you stay on top of your fiduciary requirements without having to conduct an RFP.

Emily Jones, Institutional Business Development Officer at First Citizens, says that as a best practice, she benchmarks her clients' retirement plans annually.

"It's the best way to ensure the plan is performing as intended and that participants are getting the most from it," Jones explains.



## Step 2: Identify the services you need

Most retirement plans rely on three key providers—an investment advisor, a recordkeeper and a third-party administrator, or TPA. It's important to determine which of these services you need to evaluate prior to initiating an RFP. If you'd prefer to consolidate, some providers offer bundled services that combine both plan administration and recordkeeping.



### Investment advisors

Investment advisors select, monitor and manage your plan's investments. In addition to providing guidance, they also serve as fiduciaries, helping ensure your plan meets regulatory standards. They may also offer broader financial planning services and participant education.

Some **full-service advisors** will also help you evaluate and choose other service providers and ensure you're getting the best deal. "It can be helpful to have an advisor by your side to make sure that you're asking the right questions and getting the right information from other vendors," Johnson explains.

If you're already working with an investment advisor, reach out to them for support.

"Often, there are penalties or fees that aren't being disclosed. Without that support, employers can end up in a bad spot where they think they're getting a cheaper plan," says Bettis.

### Plan recordkeepers

Recordkeepers handle many of the day-to-day administrative tasks associated with a retirement plan. They maintain participant account records, process transactions, and coordinate with advisors and third-party administrators to help the plan run smoothly and remain in compliance with regulations. They also manage participant services, including hosting online portals, generating statements and supporting enrollment. Some recordkeepers offer bundled services that eliminate the need for a separate third-party administrator.

In recent years, financial education has become a more prominent part of the recordkeeper's role. "There's a trend towards overall financial wellness," says Bettis. In fact, 72% of employers say they feel responsible for helping employees achieve a financially secure retirement, according to BenefitsPRO.<sup>2</sup>

"Many plan sponsors are interested in what education recordkeepers may offer outside of retirement planning, particularly on topics like solving for debt, paying for college and estate planning," Bettis explains.



### Third-party administrators

If you choose an unbundled service model, you'll also need to hire a separate third-party administrator, or TPA. TPAs help ensure that employer-sponsored retirement plans operate smoothly and in compliance with regulations. Their responsibilities include annual compliance testing, preparing and filing required reports with the IRS and Department of Labor, drafting and maintaining plan documents, overseeing contribution calculations, handling participant communications and assisting with plan design.

#### Investment Advisor

Selects and monitors investments, provides fiduciary oversight and may support broader planning.

#### Recordkeeper

Manages day-to-day plan operations, transactions, compliance support and participant services.

#### Third-Party Administrator (TPA)

Ensures regulatory compliance, prepares filings and supports plan design and documentation.



## Step 3: Create your RFP task force

Having a cross-functional team that represents various interests and perspectives can streamline the RFP process and ensure you're selecting a vendor that checks all the boxes.

"It's important to include the individuals who manage the day-to-day plan administration, especially those who interact with vendors on things like processing and distribution requests or employee education," says Todd Davis, Institutional Consultant at First Citizens. "These are the folks who will understand key pain points."

Also, be sure to involve at least one senior-level decision maker from the outset. Their early engagement may help avoid any decision-making bottlenecks later in the process.

**Key stakeholders may include leaders from the following teams:**



Human resources

Benefits administration

Finance

Operations



## Step 4: Develop your RFP

Once your RFP task force is in place, it's time to draft the RFP itself. A thoughtful, well-organized request for proposal helps you find the right partner for your organization—not just the one with the most attention-grabbing sales pitch.

We've developed a robust **RFP template** for retirement plan services you may download and use. The following best practices can help you tailor this template to suit your needs.

### Start with clearly defined goals

Successful RFPs are driven by specific objectives—whether it's to improve service, reduce fees or upgrade technology.

**“Defining that goal often results in a more robust and effective process,” explains Johnson.**

He encourages plan sponsors to engage with their committee to identify pain points they'd like to address, such as investment performance or high costs. “Other reasons may be poor service from your recordkeeper or a lack of real consultation from your advisor,” he notes.



### Develop a cover letter

While templates may help streamline the process of developing your RFP, customization is key. Tailoring your RFP to reflect your organization's specific needs, goals and concerns is key to a more successful RFP process.

“Some of the best RFPs I've seen include a cover letter that defines what they're trying to achieve,” says Davis. “This allows plan sponsors to succinctly outline exactly what they're looking for.”

Your cover letter should clearly state the purpose of the RFP, its primary objectives, the submission deadline for responses and contact information. It's also helpful to include a schedule of key milestones, minimum qualifications, service standards and the criteria you'll use to evaluate proposals. This upfront clarity ensures all respondents understand your goals and timeline from the start.

### Include plan information

As you pull together your RFP, don't forget to include essential information about your plan and participants. For example, if you're conducting an RFP for a new recordkeeper, you might share the following:

#### Information you might share:

- ☒ Number of participants
- ☒ Participant demographics
- ☒ Investment lineup
- ☒ Contribution levels
- ☒ Annual review process
- ☒ Scope of services

This level of detail is key to ensuring that vendors have the information they need to develop a proposal that's tailored to the needs of your organization.



## Step 5: Ask the right questions

As a plan sponsor, asking thoughtful, strategic questions is essential—not just for evaluating providers, but for meeting your fiduciary duty and ensuring your retirement plan delivers lasting value.

**“You need to understand the value you and your employees are getting for what you’re paying and make sure those costs are reasonable for the services provided,” says Johnson.**

### Questions to include in your RFP

Most retirement plan RFPs will ask prospective vendors to provide detailed information about the following:

- Company overview and organizational structure
- Experience with similar plans
- Fiduciary support and compliance practices
- Administrative services and maintenance
- Investment management and fund selection
- Participant education and communication
- Digital tools and participant access
- Cybersecurity and data privacy policies
- Fee disclosures and breakdowns

These categories provide a comprehensive view of each vendor’s strengths and limitations. While it can be helpful to start with a template, the questions should be updated to reflect your organization’s unique needs.

### Be specific to get useful answers

How you frame questions matters. Vague or open-ended questions may invite generic answers. Whenever possible, use clear, targeted questions to receive your actionable and comparable responses.

For example, instead of asking vendors to describe their approach to participant education, you might ask:

- Do you conduct in-person seminars? (Yes/No)
- Can educational materials be customized? (Yes/No)
- Does your organization offer services or tools to help individual participants with financial planning? (Yes/No)
- If yes: Please list all services and tools. Identify which, if any, constitute fiduciary investment advice.

Structured yes/no questions can eliminate ambiguity and streamline the evaluation process, making it easier to assess how well each provider aligns with your needs.



## Step 6: Get clarity on cost structure

As you develop your questions, pay special attention to some commonly overlooked nuances about fees.



### Assess the long-term impact

Comparing costs across providers is one of the most critical—yet challenging—aspects of the RFP process. Many proposals list fees in general terms but don't explain how those fees are structured or how they might change over time. Two proposals can appear similar at first glance, but the long-term costs may vary significantly.

Don't overlook critical questions that can provide further insight into key differences affecting long-term cost and value. For example:

- Can you provide a complete fee schedule that breaks out all plan-level and participant-level charges for the services listed in this proposal?
- Do you ever receive compensation from any providers or services you recommend?
- Will these fees be locked in for a specific period?
- Under what conditions will fees increase? How much notice do you provide?

For added transparency and to allow for a true apples-to-apples comparison, you can ask vendors to present their fees using a standardized fee chart. This should break out all plan-level and participant-level charges for the services listed in their proposal.

### Ask questions about investment lineup

If you're conducting an RFP for an investment advisor, you'll want to choose a provider that offers a transparent, diversified investment lineup with high-quality, publicly traded funds across a range of asset classes and styles. Direct questions about fund selection, fees and conflicts of interest help ensure you're meeting your fiduciary duty. Some questions to ask might include:

- Are any proprietary or affiliated funds required as part of our investment lineup?
- Will we have full discretion to remove or replace funds?
- What are the fund's total expenses, and are those fees reasonable in light of the value being delivered?
- How do the funds you offer fit within the broader investment lineup to meet participants' varying risk tolerances and retirement goals?

### Clarify revenue-sharing practices

Many retirement funds participate in some form of revenue sharing—the practice of embedding administration fees into a mutual fund's operating expenses and redistributing those fees to service providers.

Asking specific questions about these arrangements can help ensure you're meeting your fiduciary duty and acting in your participants' best interest. Questions could include:

- Do you receive 12b-1 or other compensation from the mutual funds offered in our plan? If so, how is it applied?
- How are commissions or revenue-sharing arrangements disclosed to plan sponsors and participants?
- How do you mitigate potential conflicts of interest?
- Are institutional share classes or zero-revenue-share options available?

## Step 7: Distribute your RFP

Conducting a retirement plan RFP can be a time-consuming process, and engaging too many respondents can overwhelm your team and lead to analysis paralysis.

“We often see plan sponsors engage eight or 10 respondents, and then they narrow it down to two to three,” says Johnson.

Instead, he recommends starting with a pool of four or five prospects, then narrowing it down to two or three for in-person interviews.

Conducting research upfront can help ensure you’re engaging the right firms and making the most of your selection committee’s time and energy.

### Allow for dialogue

Some organizations choose to restrict communication between vendors and internal stakeholders in the name of fairness. A more productive approach is to allow time for a structured Q&A period or invite each vendor to a kickoff call.

Giving vendors the opportunity to engage more deeply can go a long way toward streamlining the RFP process.

“It ensures that vendors are able to address the questions and issues that actually matter to your organization,” explains Bettis.

### Outline your process

To ensure a smooth and transparent process, your RFP should clearly outline submission logistics and evaluation protocol, including:

- Contact information for submissions and questions
- Clarifying question deadlines and response sharing
- Key dates and milestones
- Submission format requirements
- Evaluation criteria aligned with your scorecard
- Next steps, such as site visits, reference checks and negotiations

By clearly laying out these expectations, you create a more efficient process, help prevent confusion and minimize unnecessary follow-up.

### Allow sufficient time

The RFP process can easily stall or stretch out longer than expected without careful management. That’s why it’s essential to set a realistic timeline from the beginning. When mapping out key deadlines and milestones, make sure to allocate enough time for each phase.

Finally, don’t forget to factor in vendor onboarding and transition time. The timeframe will depend on the type of service provider you’re onboarding and the complexity of your program. For example, the process of onboarding a recordkeeper may take between 120 and 150 days.

### RFP milestones and timeline

RFP development	Identification of candidates	RFP response period	Evaluating responses	Finalist interviews	Selection and stakeholder signoff
3-4 weeks	1-2 weeks	3-4 weeks	2-3 weeks	1 week	1-2 weeks

**Total: 11-16 weeks**



## Step 8: Collect and review responses

The next phase of the RFP process is collecting and reviewing proposals. This stage is where your preparation begins to pay off. Having a clear, consistent set of questions to review makes it easier to assess each response.

### Reviewing RFPs

Key factors plan sponsors should evaluate when reviewing proposals:

- ☒ Participant support and education
- ☒ Investment platform
- ☒ Compliance and fiduciary support
- ☒ Service quality and responsiveness
- ☒ Data security and privacy
- ☒ Fees and value
- ☒ Proposal quality

Strong proposals go beyond boilerplate language and demonstrate a clear understanding of your organization's goals. Be cautious of generic answers that could apply to any plan sponsor. Instead, look for responses that present tailored solutions or measurable outcomes, rather than simply listing capabilities.

### Keep detailed records

The Department of Labor doesn't require you to select the lowest-cost provider. "Instead, you must ensure that fees are reasonable in light of the services provided," says Johnson.

The agency recommends preparing a written record of how you evaluated potential service providers and your reasons for selecting a particular provider. This can help you address any future questions that may arise concerning your selection.



## Step 9: Interview finalists

Improving service for both plan sponsors and participants is often a primary goal of most RFPs. However, true service quality is hard to assess on paper, which is why finalist presentations are particularly critical. As a best practice, allow an hour for each presentation, and ask each vendor to include the individuals who will be servicing your plan.

While all providers claim to offer best-in-class service, real accountability comes from measurable standards. Finalist presentations are an opportunity to interact directly with the team who will be servicing your plan. Ask targeted questions, simulate service scenarios and assess their communication style and responsiveness. Also, be sure to ask each finalist the same set of questions for fair comparison.



## Step 10: Make your selection

Be sure to use a consistent, weighted rubric to evaluate finalists. A structured scorecard can help your committee prioritize what matters and maintain objectivity. This is particularly important during finalist presentations, as subjective impressions can often influence decisions.

Additionally, be sure to conduct reference checks prior to making your selection. Ideally you should speak with clients who have similar plan sizes or structures. These conversations can provide insight into long-term service quality.

### Communicate with finalists

Once a provider has been selected, be sure to communicate with all respondents—both the winning and non-selected firms. Offering a short debrief to non-selected vendors is a courtesy that reinforces your organization's reputation and can lead to stronger relationships in the future.





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<sup>1</sup> <https://www.plansponsor.com/surveys/2022-dc-plan-benchmarking-survey/?page=2#:~:text=One%20factor%20driving%20this%20is%20ongoing%20consolidation,and%2011%20every%20one%20to%20two%20years.>

<sup>2</sup> <https://www.benefitspro.com/2024/05/29/doubling-down-on-ongoing-benefits-focused-financial-education-for-employees/>

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