

Selecting Professional Service Providers – Part 2

Oklahoma Tribal Finance Consortium, Tulsa OK, January 23-24, 2020



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AGENDA

01. Structured Questions
02. Criteria Weights
03. Rating Calculation



STRUCTURED QUESTION DESIGN RULES

Each question should
address only one issue

Available answers should
span full spectrum

Each question should be
assigned to only one criterion



PROVALENZ EVALUATION CRITERIA

COMMON CRITERIA

1. Alignment & Compatibility
2. Range of Services
3. Knowledge & Experience
4. Policies & Procedures
5. Quality Assurance
6. Risk Management
7. Reporting & Communications
8. Cost Management
9. Preferred Service Provider

EXTERNAL AUDITOR

10. Audit Team Composition
11. Independence & Integrity
12. Process Improvement
13. Benchmarking

RETIREMENT PLAN ADVISOR

10. Plan Design
11. Participant Services
12. Investment Advice
13. Service Provider Evaluation



WHAT IS A STRUCTURED QUESTION?

YES /NO

Within the past 12 months has any data breach occurred in which client data was accessed by or disclosed to an unauthorized party?

VALUE

How many months ago did the last data breach occur in which client data was accessed by or disclosed to an unauthorized party?

MULTIPLE CHOICE

When was the last time that a data breach occurred in which client data was accessed by or disclosed to an unauthorized party?

(a) within the past year, (b) 1-3 years ago, (c) more than 3 years ago, (d) never, (e) don't know.



SAMPLE YES/NO QUESTION

Criterion: Audit Team Composition

Question Text: Does your firm implement any policies or practices to reduce staff turnover?

Question Type: Yes / No

Available Responses: (a) Yes
(b) No

Acceptable Response(s): (a) Yes

Supplemental Question: If you answered "Yes", provide details.

Guidance: (none)



SAMPLE VALUE QUESTION

Criterion: Audit Team Composition

Question Text: Since 1/1/2019, what percentage of your firm's Senior Auditors have left the firm?

Question Type: Value (percentage)

Available Responses: 0% - 100%

Acceptable Response(s): [Less than _%] / [Lowest 3 response values]

Supplemental Question: (none)

Guidance: (none)



SAMPLE MULTIPLE CHOICE QUESTION

Criterion: Audit Team Composition

Question Text: Select from the list below the circumstances under which any Supervisory Auditor was replaced on any client audit conducted since 1/1/2019.

Question Type: Multiple Choice (multiple selections)

Available Responses: (a) At the client's request
(b) At your firm's request
(c) Never

Acceptable Response(s): (c) Never

Supplemental Question: If you selected (a) or (b), provide the number of times each occurred and the reason for each request.

Guidance: Multiple selections permitted



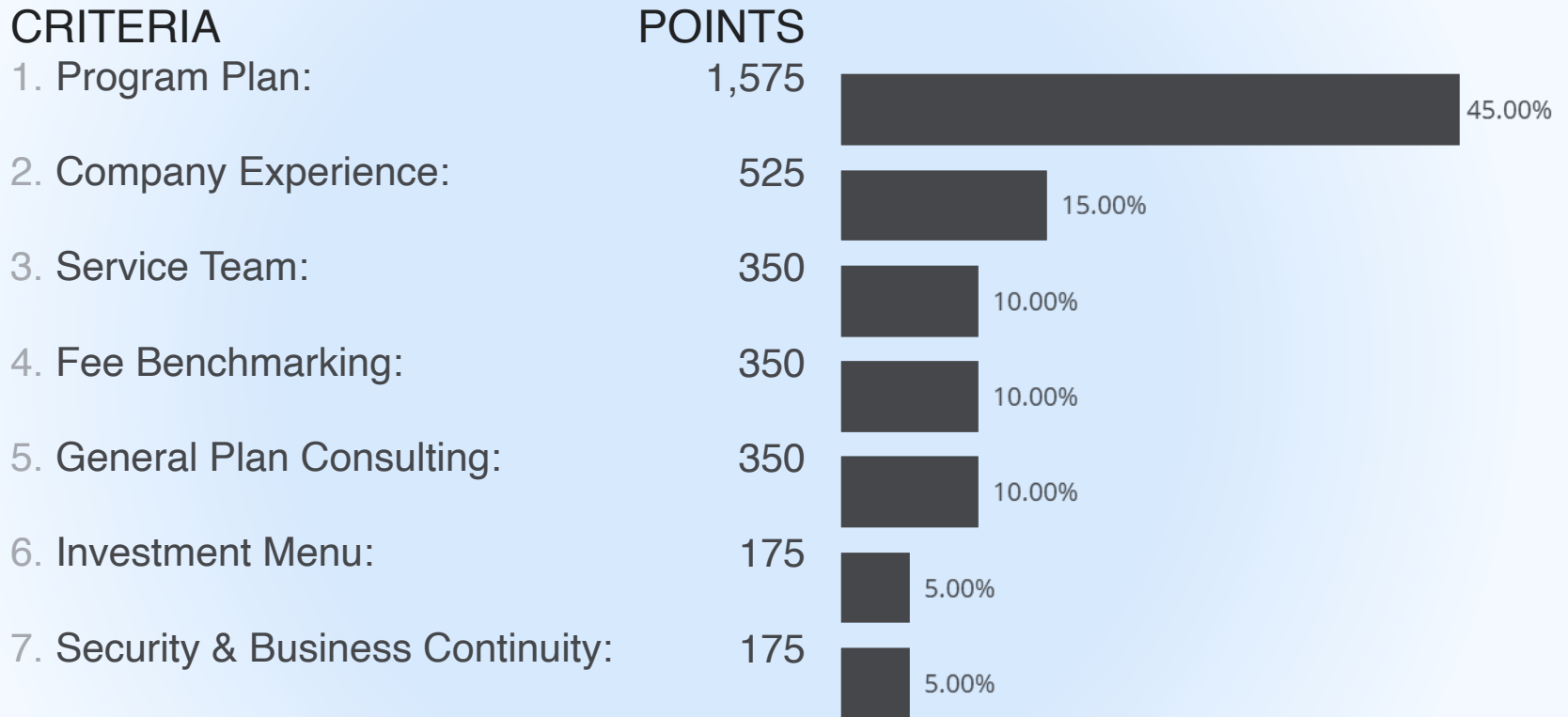
CRITERIA WEIGHTS

There is no single "best way"
to determine weights

However, using a
weighting method
is preferable to assigning
arbitrary weights



RETIREMENT PLAN ADVISOR – ACTUAL RFP



q "Program Plan" dominates (requires 15 process descriptions)

q Little differentiation – only four distinct weights

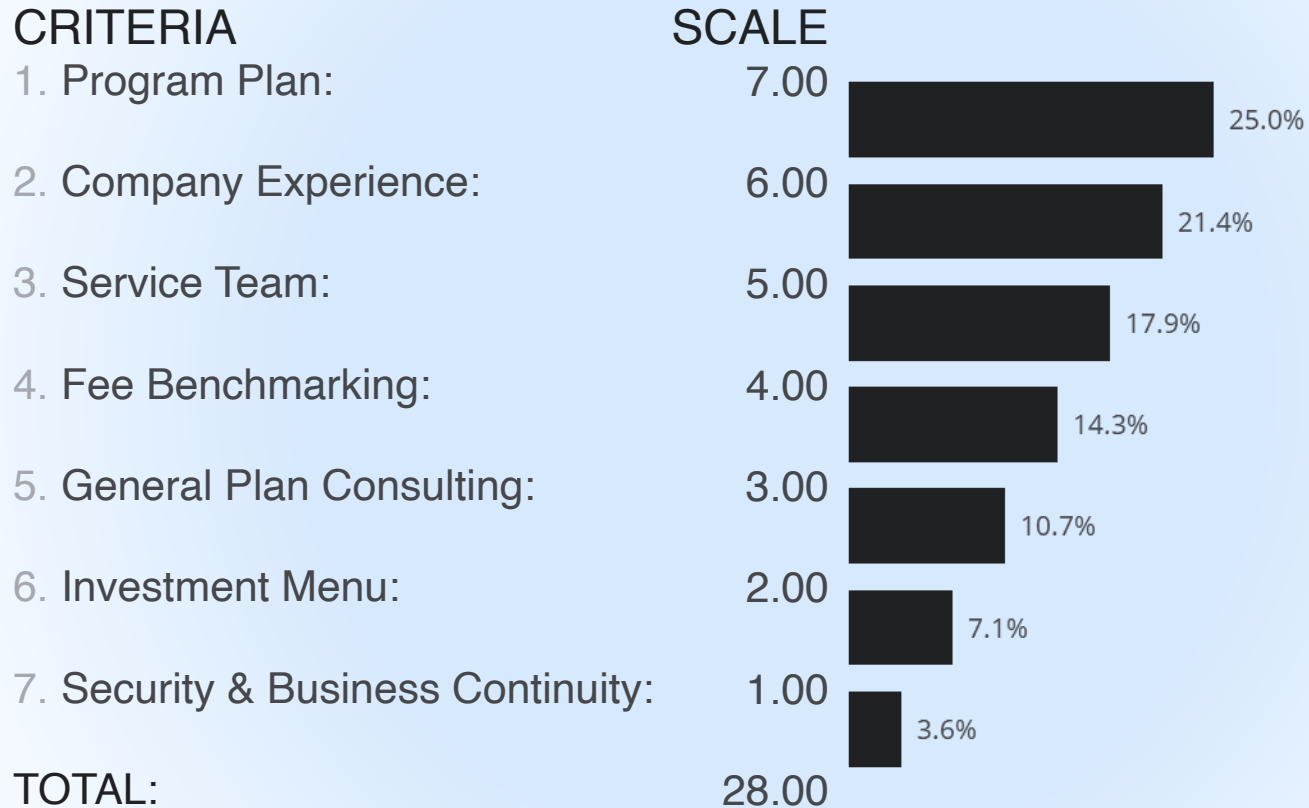


WEIGHTING METHOD #1 – LIKERT SCALE

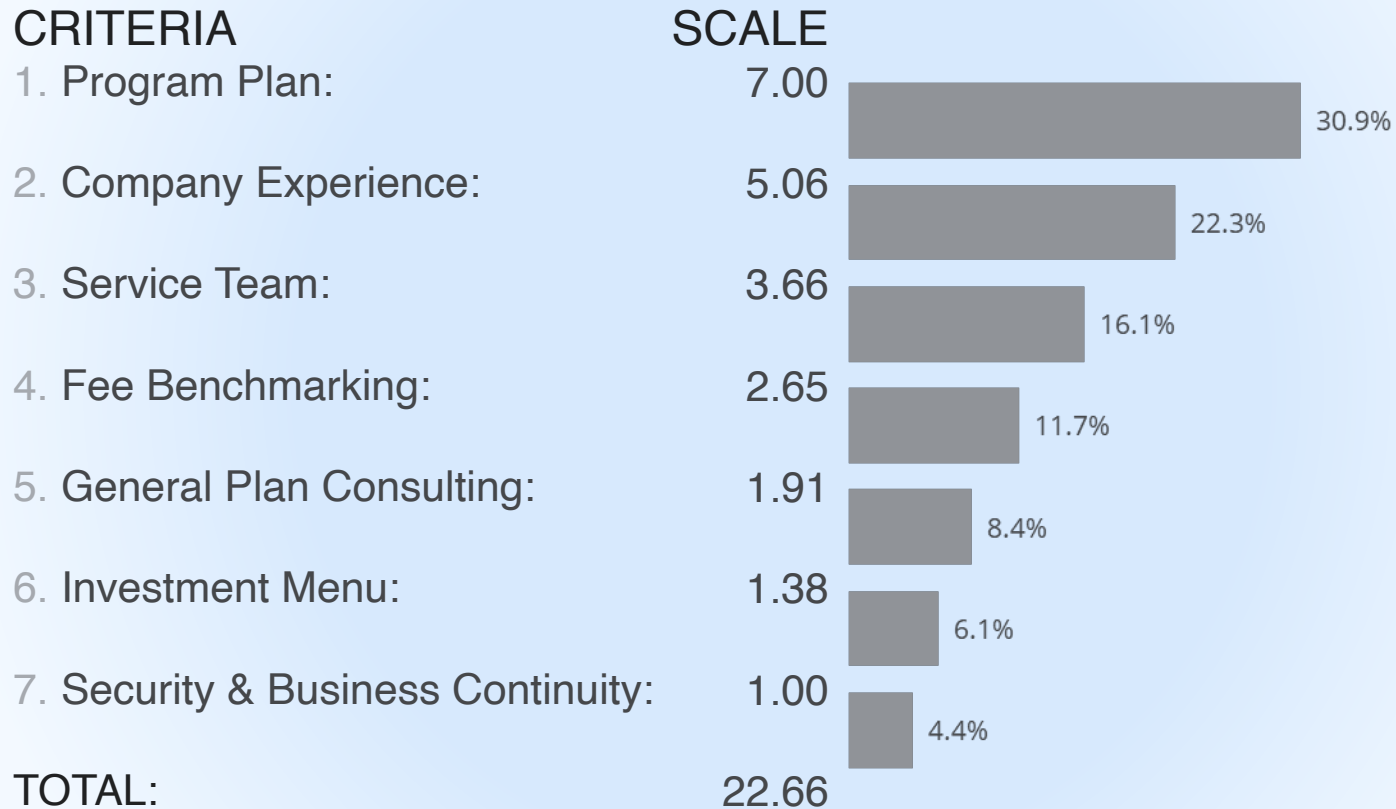
CRITERIA	SCALE				WEIGHTS
1. Program Plan:	①	②	③	④	45%
2. Company Experience:	⑤	⑥	⑦	⑧	15%
3. Service Team:				⑨	10%
4. Fee Benchmarking:	①	②	③	④	10%
5. General Plan Consulting:	⑤	⑥	⑦	⑧	10%
6. Investment Menu:				⑨	5%
7. Security & Business Continuity:					5%
TOTAL:	①	②	③	④	100%
	⑤	⑥	⑦	⑧	
				⑨	



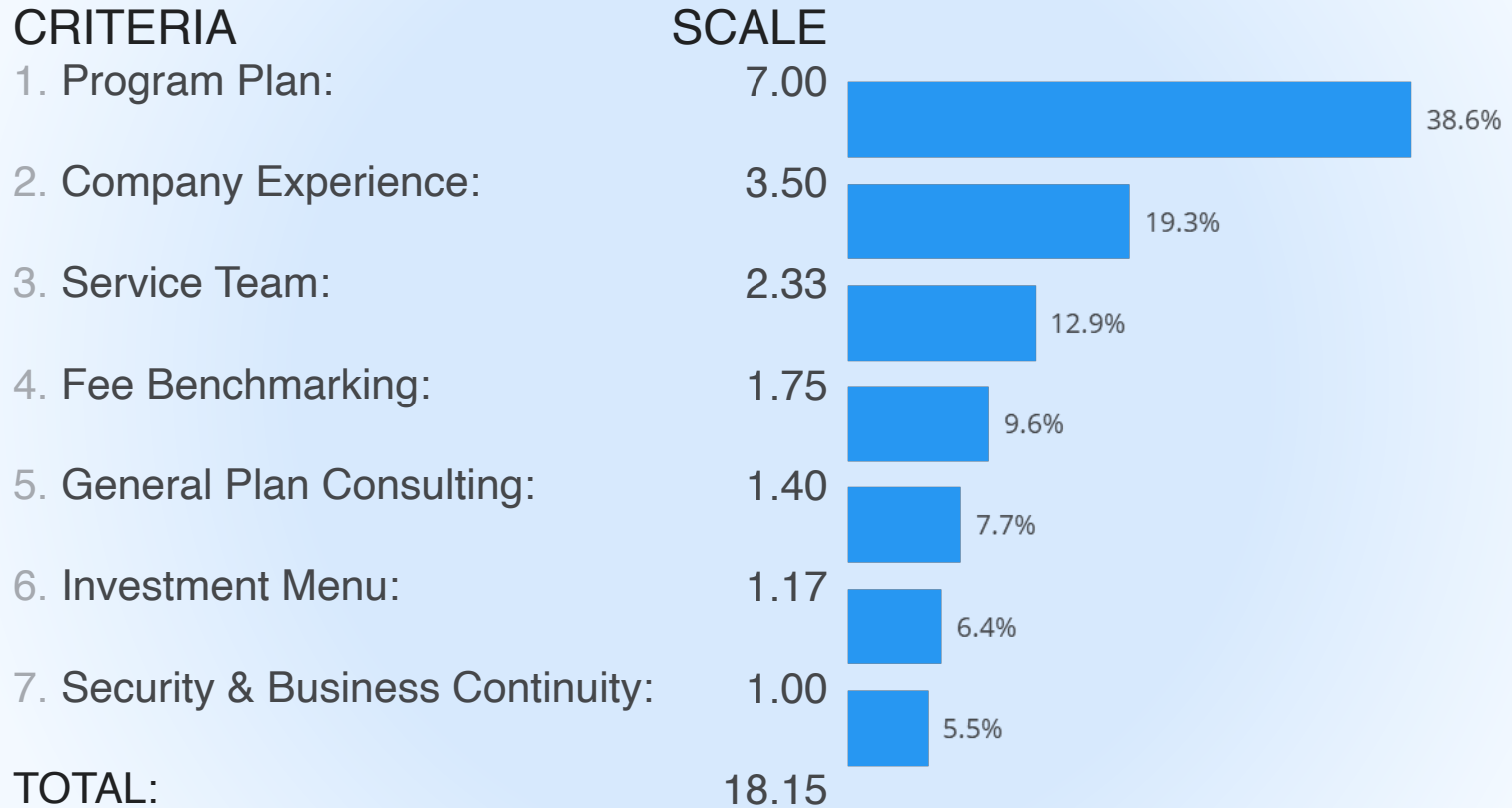
WEIGHTING METHOD #2 – INTERVAL SCALE



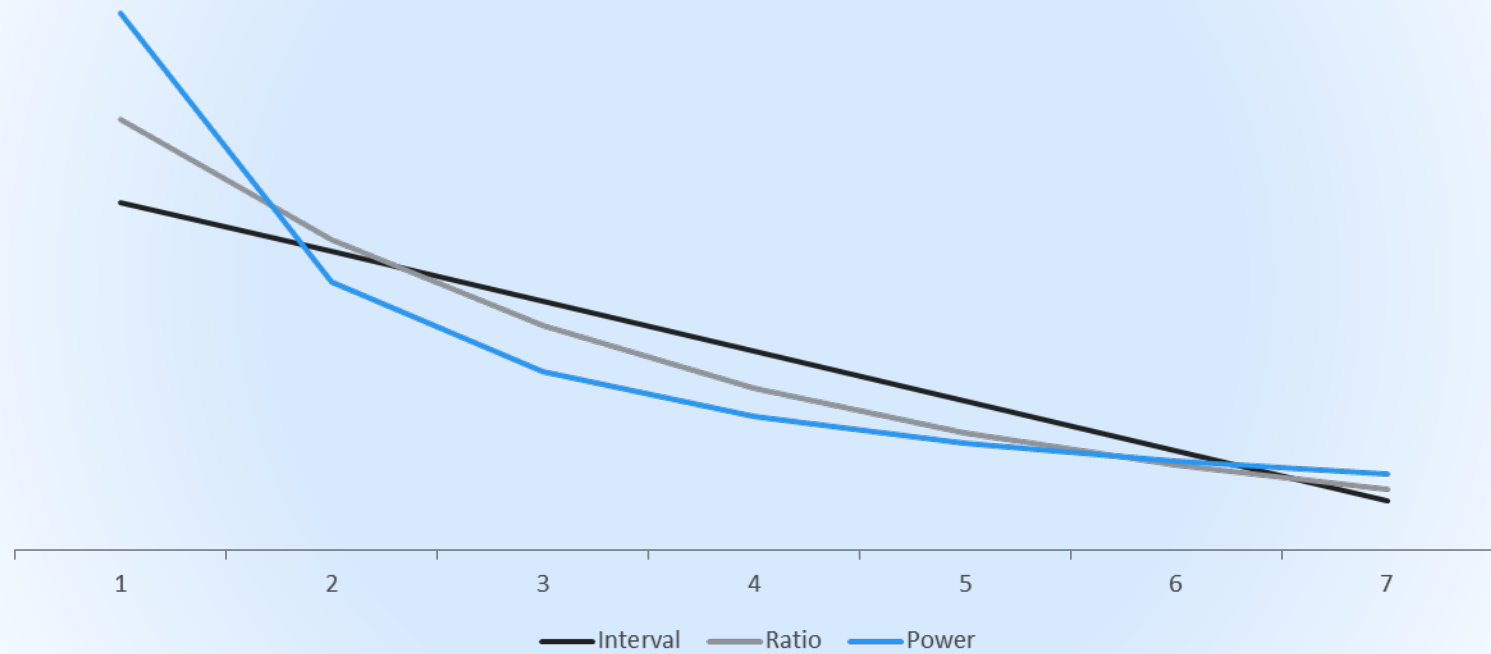
WEIGHTING METHOD #3 – RATIO SCALE



WEIGHTING METHOD #4 – POWER SCALE



IMPACT OF WEIGHTING SCALE



MAXIMUM DIFFERENCE QUESTIONNAIRE

Among the following 4 criteria only, which do you consider the most important and the least important when selecting a retirement plan advisor?

MOST IMPORTANT	EVALUATION CRITERIA	LEAST IMPORTANT
<input type="radio"/>	Fee Benchmarking	<input checked="" type="radio"/>
<input type="radio"/>	Service Team	<input type="radio"/>
<input checked="" type="radio"/>	Program Plan	<input type="radio"/>

1. There are 7 questions in total
2. Each question shows a block of 3 criteria
3. Each criterion appears a total of 3 times.
4. Each criterion occupies each block position exactly once.
5. Each criterion is paired with every other criterion exactly once.



CALCULATING WEIGHTS USING MAXDIFF RESPONSES

CRITERIA (a)	MOST (b)	LEAST (c)	DIFF (d)=b-c	RANK (e)=d+4	WEIGHT (f)=e/28
1. Program Plan:	3	0	3	7	25.0%
2. Company Experience:	2	0	2	6	21.4%
3. Service Team:	1	0	1	5	17.9%
4. Fee Benchmarking:	1	1	0	4	14.3%
5. General Plan Consulting:	0	1	-1	3	10.7%
6. Investment Menu:	0	2	-2	2	7.1%
7. Security & Business Continuity:	0	3	-3	1	3.6%
TOTAL:	7	7		28	100%


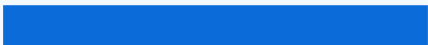
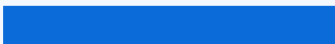
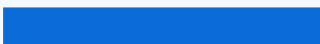
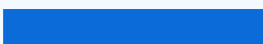
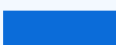
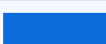


RATING CALCULATION

CRITERIA (a)	# QUESTIONS (b)	# PASS (c)	% PASS (d)=b/c	#WEIGHT (e)	MARGINAL (f)=d*e
1. Program Plan:	30	12	40.0%	25.0%	10.0%
2. Company Experience:	34	20	58.8%	21.4%	12.6%
3. Service Team:	40	32	80.0%	17.9%	14.3%
4. Fee Benchmarking:	30	20	66.7%	14.3%	9.5%
5. General Plan Consulting:	22	16	72.7%	10.7%	7.8%
6. Investment Menu:	28	12	42.9%	7.1%	3.1%
7. Security & Business Continuity:	36	34	94.4%	3.6%	3.4%
TOTAL:	204	139	66.4%	100%	60.6%



ATTRIBUTION ANALYSIS

CRITERIA	WEIGHT (%)	CRITERION RATING	MARGINAL CONTRIBUTION OF EACH CRITERION RATING TO OVERALL RATING	
Overall Rating			60.6%	
Service Team	17.9%	80.0%	14.3%	 14.3%
Company Experience	21.4%	58.8%	12.6%	 12.6%
Program Plan	25.0%	40.0%	10.0%	 10.0%
Fee Benchmarking	14.3%	66.7%	9.5%	 9.5%
General Retirement Plan Consulting	10.7%	72.7%	7.8%	 7.8%
Security & Business Continuity	3.6%	94.4%	3.4%	 3.4%
Investment Menu	7.1%	42.9%	3.1%	 3.1%

