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Amid Flood of RFPs, Details Can Make or Break a Deal

By Aziza Kasumov   November 7, 2019

Requests for proposals are flooding institutional gatekeepers – but a recent decision by the $11.5 billion Montana Board of Investments (BOI) showed that, despite the increase in volume, consultants and managers can't let the details slide.

BOI eliminated NEPC from its investment consulting search after having "difficulty in navigating" the consultant's proposal, as reported by sister publication *MandateWire*. The Montana institution cited a "lack of completeness in answering the questions" and a "lack of transparency through use of proprietary systems and processes" as reasons for the mark down, according to a memo by acting CIO **Dan Villa**.

While NEPC still received "high marks for their size and specificity in their described investment search process," the mark down was enough for NEPC to miss the threshold to make it into the next interview phase, according to Villa.

"RFPs have been getting more complex for many years as prospective clients look for more detailed information… [and] this is particularly the case with public funds," NEPC's partner and director of consulting services **Steve Charlton** tells *FundFire* in response to the decision. "While we strive to learn from the small mistakes that occur from time to time, we are consistently told that our RFP responses are some of the most informative and thorough," he adds.

NEPC is not alone with this sentiment: Asset managers, responding to proposals for outsourced CIO (OCIO) or regular investment mandates, have felt the weight of a rising number of RFPs in recent years. From 2017 to 2018 alone, the number of RFPs jumped 13%, according to a recent study by Cerulli Associates. As a result, 91% of surveyed managers said they see completing the forms in an adequate manner as at least a moderate challenge, as reported. In another study published by Cerulli this week, 28% of surveyed institutional sales organization said they're planning on increasing staffing for RFP personnel.

"These firms respond to an awful lot of proposals," says **Tom Iannucci**, president of search firm Cortex Applied Research. "Of course, you want to see clear proposals, but it's not unusual that all the firms don't provide all the information… or provide something a little different than what's asked."

In some cases, search consultants like Cortex Applied Research will then follow up with the bidder and ask for more detailed information. Still, a small slip can be a tie breaker.

"When you're in the finals, and you're narrowing it down, and there are five equally rated consulting firms, you're looking for things to eliminate a manager or a consultant," says **Russ Mason**, president of the Investment Management Institute. "It's a very competitive environment for consultants [trying to win] new business," he adds.

In BOI's case, however, there was only one other bidder: Portland, Ore.-based RVK, which automatically won the contract after NEPC didn't meet the threshold for the next round. While RVK was applauded for its "high-ethics requirements, research and monitoring," among other points, Villa called out "instances of clarity lacking in [RVK's] response," too.

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August 26, 2019

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"Some of the answers you get back, you can tell" that they're using artificial intelligence, says **Brad Alford**, founder and principal of outsourced CIO (OCIO) and consultant search firm Alpha Capital Management. "It's more efficient, but it really hurts the RFPs," he adds. While small mistakes such as typos usually "aren't a big deal," Alford says, using automated responses, for instance, can hinder a consultant's ability to respond properly to some of the more customized questions Alpha Capital is asking on behalf of clients.

NEPC doesn't use artificial intelligence in its RFP-response process, Charlton says. "We believe a hands-on, customized approach leads to more accurate and specific responses to prospective clients," he explains. NEPC has a dedicated team of four full-time professionals who exclusively work on RFP responses, Charlton adds.

For comparison, the asset managers surveyed by Cerulli had on average two dedicated RFP professionals on staff. That's less than consultant NEPC, but double the average number that managers reported to Cerulli three years prior.

Both Mason and Alford say they usually see highly professional work from NEPC, and that having just two consultants bid for such a contract is rather uncommon.

“The fact that [BOI] only had a ‘default’ winner demonstrates to us that the bureaucrats did a poor job in attracting consultants,” says **Chris Cutler**, founder of Manager Analysis Services.“The taxpayers of Montana are the ones who lost out.”

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