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Curcio Webb Helps Multinational Energy Company Evaluate Best Options for Total Benefit Outsourcing (TBO)

Situation

A large multinational energy company (“Company”) decided to conduct a search for benefits administration including Health & Welfare (H&W), Pension, and Defined Contribution (DC). Company had a long-standing relationship with their two administration services providers – one was responsible for DC administration and the other responsible for H&W and Defined Benefit (DB) administration.

Company was satisfied with current administration delivery for DB administration and DC administration, but not H&W administration. Company also believed that fees for DC administration were fair, but their DB and H&W fees were high relative to the marketplace. They had not conducted a provider selection for five years and were extremely interested to understand the landscape of the marketplace. As a result, Curcio Webb was engaged to manage a comprehensive benefits administration search.

Challenge

Most plan sponsors are not interested in managing three separate benefits administration providers (DB, DC, H&W). Today there are few total benefits outsourcing administrators (TBO), many DC and H&W administrators don’t offer support of other benefit services. In this situation, Company was most focused on replacing their current H&W administrator, but also wanted to ensure they had the best providers for DC and DB administration.

It is challenging to consider implementing new solutions for all benefits administration, as this is a large project, and requires considerable focus and resources.

At a Glance Benefits

Saved 48% by moving to a new H&W Administration provider; 7% by moving to a new DC provider; and 25% by moving to a new DB provider.

Overall, Company lowered costs, increased the quality of their services, greatly improved technology, and achieved higher employee engagement

Are you considering outsourcing benefits administration?

p. 847.279.7341
e. info@curciowebb.com
w. curciowebb.com

Process

Curcio Webb created a TBO request for a proposal and solicited bids from twelve organizations - considering a range of providers – single service and multi-service. Nine different organizations agreed to bid on the services. Several did not elect to bid because they didn't believe they could offer competitive services.

Curcio Webb worked with Company to define key selection criteria that was used throughout the process to objectively judge providers. Scoring tools tied to this key selection criteria were designed specifically for this project. It is always critical to have detailed documentation about the selection process and how organizations make their decisions.

The process included numerous meetings, site visits, and discussions. Curcio Webb created an assessment of individual provider capabilities, proposal offering, and fees, along with an analysis of how various provider combinations would integrate - especially around the management of life events and providing retirement financial modeling.

Results

Company's first decision was to move H&W administration to a stand-alone provider. This resulted in a 48% cost savings and considerable additional services and technology. The significant cost savings made the decision easy for to the project team.

The second decision was to move DC administration to a provider that offered minimal cost savings (about 7%) but significant additional services for both participants and the plan sponsor. This provider also has solid DB administration capabilities.

Under this scenario, Company was left with three providers. Current DB administration was considered high-quality. However, fees were high relative to the pension services provided by the newly selected DC provider (by about 25%). After comprehensive negotiations with both the newly selected DC provider and the DB administration incumbent, this gap was closed to 16%. In addition, the potential DB administrator added functionality and removed many proposal assumptions, making their bid very attractive.

In the end, Company moved all benefit administration services to new providers. The outcomes included a vastly improved financial arrangements, better overall quality, improved employee engagement, and enhanced plan sponsor services.

Note: Prior to conducting the search, Curcio Webb conducted an operational and data audit of benefit services. It was important to Company to understand if there were any issues related to data or functions prior to them leaving the current providers (when there is less leverage for a required reimbursement for errors). In addition, Curcio Webb played a large role in implementations management of the three services.