



# Application for 401(a) Alternative Retirement Plan Vendors—Analysis

Ohio Department of Higher Education

June 30, 2020

*Redacted*



# Introduction

# Background

---

- Ohio Department of Higher Education (ODHE) is reviewing current and potential vendors providing recordkeeping, administration and trustee services for its defined contribution plan
  - 401(a) Alternative Retirement Plan (ARP)
- Aon Investments USA Inc. (Aon Investments) has been engaged by ODHE to conduct a thorough and objective analysis, including
  - Prepare application
  - Manage application process
  - Review services

# Vendor Search Process Overview

---

- ODHE and Aon Investment meet during 2019 to discuss Criteria and agree on project scope
- An approved application was posted on ODHE's public bid website on December 6, 2019
- Vendors provided written confirmation of intention to submit an application by January 20, 2020
- Vendors were allowed to submit questions until February 7, 2020 and formal responses were posted on February 12, 2020
- All vendors wanting to participate in the application process submitted responses by March 6, 2020
- Seven vendors (all current ARP vendors) responded to the application
  - AIG Retirement Services (AIG)
  - AXA
  - Fidelity
  - Lincoln Financial Group (Lincoln)
  - MassMutual Retirement Services (MassMutual)
  - TIAA
  - Voya
- Nationwide, a current ARP vendor, did not provide written confirmation of intent to submit an application by January 20<sup>th</sup>, was sent notice on January 21<sup>st</sup>
  - Nationwide did not submit an application by March 6<sup>th</sup> and in accordance with the Code, Nationwide will have their approved status revoked
- This report compares the services of the potential vendors, providing both a quantitative and qualitative analysis of the information in the responses
- Targeted vendor approval date is **June 30, 2020**

## Vendor Snapshot

Below is information as of 12/31/2018 contained in Aon Investment's Request For Information database and supplied by the individual vendors

	AIG	AXA	Fidelity	Lincoln	Mass Mutual	TIAA	Voya
Entered the recordkeeping business	1955	1960	1982	1950	1977	1918	1967
Client retention rate over the last 5 years	99%	97%	98%	96%	94%	99%	97%
Core functions outsourced in U.S.	None	Trustee/ Custodial	None	None	Trustee/ Custodial	Regulatory/ Compliance partially outsourced	None
Offshore outsourcing	None	IT (no client contact)	None	None	None	Record- keeping (no client contact)	None



# Criteria and Services

## Criteria—Summary of Analysis of Vendor Responses

Criteria	AIG	AXA	Fidelity	Lincoln	Mass Mutual	TIAA	Voya
1. Authorized to conduct business	■	■	■	■	■	■	■
2. Experience	■	■	■	■	■	■	■
3. Effectiveness to enroll / retain participants	■	■	■	■	■	■	■
4. Broad range of investment options	■	■	■	■	■	■	■
5. Suitability of investment options	■	■	■	■	■	■	■
6. Investment options communications	■	■	■	■	■	■	■
7. Capability to perform in best interests of participants / beneficiaries	■	■	■	■	■	■	■
8. Fees and Fee Disclosure	■	■	■	■	■	■	■
9. Rights and benefits	■	■	■	■	■	■	■
10. Capability to provide rights and benefits	■	■	■	■	■	■	■
11. Other information the Chancellor deems relevant	■	■	■	■	■	■	■

Criteria met / no areas of concern
  Moderate areas of concern
  Strong areas of concern

## Criteria—Details of Analysis of Vendor Responses

Criteria	AIG	AXA	Fidelity	Lincoln	Mass Mutual	TIAA	Voya
1. Authorized to conduct business	■	■	■	■	■	■	■
2. Experience	■	■	■	■	■	■	■
3. Effectiveness to enroll / retain participants	■	■	■	■	■	■	■
	■	■	■	■	■	■	■
4. Broad range of investment options	■	■	■	■	■	■	■
5. Suitability of investment options	■	■	■	■	■	■	■
6. Investment options communications	■	■	■	■	■	■	■
	■	■	■	■	■	■	■
	■	■	■	■	■	■	■
7. Capability to perform in best interests of participants / beneficiaries	■	■	■	■	■	■	■
8. Fees and Fee Disclosure	■	■	■	■	■	■	■
	■	■	■	■	■	■	■
	■	■	■	■	■	■	■

■ Criteria met / no areas of concern

■ Moderate areas of concern

■ Strong areas of concern

# Criteria—Details of Analysis of Vendor Responses

Criteria	AIG	AXA	Fidelity	Lincoln	Mass Mutual	TIAA	Voya
9. Rights and benefits	■	■	■	■	■	■	■
Withdrawal restrictions	■	■	■	■	■	■	■
10. Capability to provide rights and benefits	■	■	■	■	■	■	■
	■	■	■	■	■	■	■
11. Other information the Chancellor deemed relevant							
No marketing of outside products	■	■	■	■	■	■	■
Share class review	■	■	■	■	■	■	■
Annual Review	■	■	■	■	■	■	■
Performance Standards	■	■	■	■	■	■	■
Service Guarantees	■	■	■	■	■	■	■

- “Other Information the Chancellor Deemed Relevant” are areas that the vendors could provide the requested service; however, the sponsoring entity may need to specifically request the service be agreed upon in the services agreement

■ Criteria met / no areas of concern      ■ Moderate areas of concern      ■ Strong areas of concern

# Evaluation Criteria for ARP

Criteria	No areas of concern	Area of concern	Strong area of concern
1. Entity must be authorized to conduct business in the State of Ohio with regard to the investment options to be offered under an alternative retirement plan maintained by a public institution of higher education	Answered "Yes"	N/A	Answered "No"
2. The experience of the entity providing investment options in the State of Ohio or other states under alternative retirement plans, optional retirement plans, or similar types of plans that meet one of the Criteria	Meets one or both criteria	N/A	Does not meet at least one criteria
3. The potential effectiveness of the entity in recruiting eligible employees to select that entity for purposes of participating in an alternative retirement plan and in retaining those employees' account	Participant count 2014–2019 increased or declined by less than 5%	Participant count 2014–2019 decreased by greater than 5%	N/A
	Entity provides one-on-one meetings	Entity does not provide one-on-one meetings	N/A
4. Whether the entity intends to offer a broad range of investment option to the electing employees	Investment line up includes 1) Money Market / Stable Value / Fixed; 2) Bond; 3) Balanced/Lifestyle/Target Date; and 4) Equity options	N/A	Missing at least one investment option type

# Evaluation Criteria for ARP

Criteria	No areas of concern	Area of concern	Strong area of concern
5. The suitability of the investment options to the needs and interests of the electing employees and their beneficiaries	No front end, back end, or surrender charges on the investment options	Has front end, back end, or surrender charges on the investment options, but there are exceptions to waive charges	Has front end, back end, or surrender charges on the investment options, but there are no exceptions to waive charges
6. The capability of the entity to offer sufficient information to the electing employees and their beneficiaries to make informed decisions with regard to investment options offered by the entity	Participant education materials submitted clearly disclose each investment option's characteristics and expenses	Participant education materials submitted clearly disclose each investment options' characteristics or expenses, but not both	Participant education materials submitted does not clearly disclose each investment options' characteristics and expenses
	Investment option information available via both website and call center / onsite representative	Investment option information available via website or call center / onsite representative, but not both	Investment option information not available via website or call center/onsite representative
	Participants are informed of potential liquidity restrictions and/or redemption fees via a pop-up on the website and call center representative OR investment options do not have liquidity restrictions or redemption fees	Participants are informed of potential liquidity restrictions and/or redemption fees via a pop-up on the website or call center representative, but not both	Participants are not informed of potential liquidity restrictions and/or redemption fees via a pop-up on the website or call center representative

# Evaluation Criteria for ARP

Criteria	No areas of concern	Area of concern	Strong area of concern
7. The capability of the entity to perform in a manner that is in the best interests of the electing employees and their beneficiaries	Fiduciary information reviewed but not scored		
	Representatives servicing the ARP are not compensated by means other than a salary (commissions and/or incentives)	N/A	Representatives servicing the ARP are compensated by means other than a salary (commissions and/or incentives)
8. The fees and expenses associated with the entity's investment options and the manner in which the entity intends to disclose those fees and expenses	Sufficient information regarding fees is made available to participants (or the entity is willing to make information available) on website and/or statement	N/A	Sufficient information regarding fees is not made available to participants (or the entity is not willing to make information available) on website and/or statement
	Currently provides an annual fee disclosure for each university	Does not currently provide an annual fee disclosure for each university, but is willing to	Does not currently provide an annual fee disclosure for each university, and is not willing to
	Currently meets with each university annually to review fees	Does not currently meets with each university annually to review fees, but is willing to	Does not currently meets with each university annually to review fees, and is not willing to

# Evaluation Criteria for ARP

Criteria	No areas of concern	Area of concern	Strong area of concern
9. The rights and benefits to be provided under the investment options	Investment vehicle information reviewed but not scored		
	Notifies universities of availability of funds and what may drop off or have significant impact on the population	Does not disclose how they notify universities of availability of funds and what may drop off or have significant impact on the population	N/A
	No withdrawal restrictions on the investment options	Has withdrawal restrictions on the investment options, but the restrictions are on the fixed option only	Has withdrawal restrictions on investment options other than the fixed option
10. The capability of the entity to provide the rights and benefits under the investment options	Third party information reviewed but not scored		
	Entity or any advisor has not been found guilty of any violations of security regulations	Entity or any advisor has been found guilty of violations of security regulations	N/A
	Has not been party to any lawsuits regarding the timeliness of distributions, payments, and transfers	Has been party to lawsuits regarding the timeliness of distributions, payments, and transfers	N/A

# Evaluation Criteria for ARP

Criteria	No areas of concern	Area of concern	Strong area of concern
11. Any other information the Chancellor, or consultant selected by the Chancellor, deems relevant	Does not promote or solicit other non-ARP products to plan participants	N/A	Promotes or solicits other non-ARP products to plan participants
	Proactively reviews the investment options offered under the ARP to assure they are in the cheapest share class available	Does not proactively review the investment options offered under the ARP to assure they are in the cheapest share class available	N/A
	Currently meeting with each university annually to discuss investment options, communications, and participant enrollment / engagement	Is not currently meeting with each university annually to discuss investment options, communications, and participant enrollment / engagement, but is willing to	Is not currently meeting with each university annually to discuss investment options, communications, and participant enrollment / engagement, and is not willing to
	Performance standards commit to processing distributions, payments, and transfers within 2 days	Performance standards commit to processing distributions, payments, and transfers greater than 2 days	N/A
	Willing to contractually commit to service guarantees related to the timeliness of distributions, payments, and transfers	N/A	Not willing to contractually commit to service guarantees related to the timeliness of distributions, payments, and transfers



# Appendix A

- Provider Contacts
- Aon Investments Contacts

## Provider Contacts

---

	Name	Phone Number	Email Address
<b>AIG</b>	Robert Haverstrom	713-831-5497	<a href="mailto:robert.haverstrom@valic.com">robert.haverstrom@valic.com</a>
<b>AXA</b>	Leslie Magnarelli	3154773324	<a href="mailto:leslie.magnarelli@axa.us.com">leslie.magnarelli@axa.us.com</a>
<b>Fidelity</b>	Karen Watts	617-563-9341	<a href="mailto:karen.watts@fmr.com">karen.watts@fmr.com</a>
<b>Lincoln</b>	Jason Key	704-362-3662	<a href="mailto:jason.key@lfg.com">jason.key@lfg.com</a>
<b>MassMutual</b>	Nicole Wharton	614-400-6675	<a href="mailto:nwharton@massmutual.com">nwharton@massmutual.com</a>
<b>TIAA</b>	David Swallow	609-243-6083	<a href="mailto:david.swallow@tiaa.org">david.swallow@tiaa.org</a>
<b>Voya</b>	Lori Commerford	612-812-1567	<a href="mailto:lori.commerford@voyacom.com">lori.commerford@voyacom.com</a>

# Aon Investments Contacts

---

## **Cynthia Zaleta**

Associate Partner

Aon

770.690.7670

[cynthia.zaleta@aon.com](mailto:cynthia.zaleta@aon.com)

## **Diane Smola**

Associate Partner

Aon

203.523.8292

[diane.smola@aon.com](mailto:diane.smola@aon.com)

## **Tamara Langham**

Consultant

Aon

770.690.7508

[tamara.langham@aon.com](mailto:tamara.langham@aon.com)

# Legal Disclosures and Disclaimers

---

Investment advice and consulting services provided by Aon Investments USA Inc. (“Aon Investments”). The information contained herein is given as of the date hereof and does not purport to give information as of any other date. The delivery at any time shall not, under any circumstances, create any implication that there has been a change in the information set forth herein since the date hereof or any obligation to update or provide amendments hereto.

This document is not intended to provide, and shall not be relied upon for, accounting, legal or tax advice or investment recommendations. Any accounting, legal, or taxation position described in this presentation is a general statement and shall only be used as a guide. It does not constitute accounting, legal, and tax advice and is based on Aon Investments’ understanding of current laws and interpretation.

The content of this document is made available on an “as is” basis, without warranty of any kind. Aon Investments disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on that content. Aon Investments reserves all rights to the content of this document. No part of this document may be reproduced, stored, or transmitted by any means without the express written consent of Aon Investments.

Aon Investments USA Inc. is a federally registered investment advisor with the U.S. Securities and Exchange Commission. Aon Investments is also registered with the Commodity Futures Trading Commission as a commodity pool operator and a commodity trading advisor, and is a member of the National Futures Association. The Aon Investments ADV Form Part 2A disclosure statement is available upon written request to:

Aon Investments USA Inc.  
200 E. Randolph Street  
Suite 700  
Chicago, IL 60601  
ATTN: Aon Investments Compliance Officer

© Aon plc 2020. All rights reserved.