



**nipa**  
National Institute of  
Pension Administrators

Moving TPA  
Businesses Forward

## You Really Should Work with a Third Party Administrator

You, as a retirement plan advisor, are responsible for selecting and monitoring the appropriate investments, enrollment and participation in the plan and overall plan investment and savings health for each retirement plan client and their employees. Often, when a bundled solution is selected, that leaves you trying to also deal with administrative and compliance issues because you are readily available to the plan sponsor while the bundled provider is not.

- A recent Fidelity survey suggests that as sponsors become more aware of and more concerned about their fiduciary responsibilities, they may lean on you even more.
- This is both a distraction from your primary role and may position you to be giving advice in areas where you are not an expert. A risk (role?) you may not want to assume.

### A TPA allows you to be more successful.

Partnering with a retirement TPA allows you to laser focus on investments and investment compliance issues while the TPA assumes responsibility for plan design, plan compliance, accuracy and working day-to-day with the plan sponsor on plan administration.

- *The TPA is “platform neutral” and can work with you as the financial advisor in conjunction with any investment platform you and the plan sponsor choose.*

The TPA's role is recommending the best plan design, plan and participant level oversight and reconciliation, plan compliance and overall supporting the administrative fiduciary responsibility for the plan.

- Most fiduciary errors occur in plan administration, such as discrimination testing, distributions and loans.
- Because TPAs are experts in precisely these areas, working with a TPA assures that errors will be prevented or corrected.

Working with a TPA allows you as the advisor, the provider, and all other professionals involved in the retirement plan to seamlessly work together and *increase sponsor satisfaction and confidence.*

- The plan sponsor sees a team of skilled professionals that will work to satisfy the plan sponsor's goals in creating and maintaining a retirement plan, assure the plan is compliant and that they can work with in an ongoing relationship.
- The TPA is integral to creating and monitoring the plan, discussing options and issues with the plan sponsor and assuring accounting accuracy.
- You and the TPA can recommend provider products that are the right fit for the client.

TPAs can also be very valuable partners in developing new clients and in closing the deal with prospects, offering creative plan design options and suggesting plan features that are attractive to the sponsor.

- Introducing the TPA to the plan sponsor at an early date, either in making the sale or shortly thereafter, starts a dialogue that includes designing or customizing a plan that meets legal and regulatory requirements but also provides the benefits the sponsor is looking to offer their company and their employees by focusing on solutions and not product.
- TPAs provide illustrations and analysis to both plan sponsors and advisors that outline new concepts, ideas, and solutions they can use. *This does not happen with a Bundled provider.*

#### National Institute of Pension Administrators

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Because TPAs are experts at plan administration they apply their expertise to individual design, advice on specific issues, and the detailed reconciliation they provide to ensure each participant's account is correct.

- *TPAs are your advocate and will help you navigate complex rules and provisions applicable to your plan.*
- They provide the answers you and your plan sponsor need regarding plan compliance, administration and new design options.
- Most importantly, when a plan sponsor makes a mistake, TPAs identify and correct them.

*The advantages of working with a TPA don't stop at closing a sale.* It often allows for faster and more accurate plan implementation.

- If it is an existing plan, the TPA can assume responsibility for gathering information from the prior recordkeeper and administrator, reviewing the current plan to suggest any changes and assure accuracy of plan records.
- The TPA coordinates with the provider's implementation team, the plan sponsor and you, the advisor to get the new plan operational as quickly and smoothly as possible, increasing participant and plan sponsor satisfaction.

## What do TPAs do?

The TPA works with the plan sponsor to ensure the ongoing accuracy of the plan, minimize the time the plan sponsor has to spend on plan oversight, meet service and compliance deadlines and coordinate with all parties.

### **TPAs assure the accuracy and compliance of plan and participant records including:**

- Eligibility
- Employer Calculations
- Loans, QDROs and distributions including Required Minimum Distributions
- Participant deferrals
- Vested benefits
- Reconciling each participant account and resolution of any other errors associated with participant accounts
- Independent review and reconciliation of client census
- Independent analysis of client vs. vendor data
- Oversight and monitoring of contributions, reports and fees assessed by the investment company.
- Plans operations review to ensure they are following the legal Plan Document.
- Audit support

### **Plan Compliance and Regulations**

- TPAs perform the compliance testing for the Plan. These tests are mandatory and complicated.
  - If an issue comes up during testing the TPA will make recommendations or provide solutions that address the issue beyond standard remedies. A TPA offers the optimal solution because of their expertise and intimate knowledge of the plan allowing for the most favorable outcome.
- The TPA will maintain (and may design or amend) the Plan document to ensure the client remains in compliance with any changes in the law or regulations. Also, they will continuously review the Plan to see if it is operating in accordance with the Plan document.
  - If not, they make appropriate recommendations to correct the issue.
  - They will also make recommendations on plan changes when appropriate.
- They can also help to ensure the highest level of compliance on issues like loans and distributions.
- When reconciliation is not performed, it creates the possibility that errors may exist in participants' accounts. (Under funding of participant accounts can result in penalties and interest; over funding can force the employer to make similar contributions to other participants if not rectified.)
  - *This level of reconciliation is rarely performed by any other entity including the investment companies, or the Plan auditors.*

### **Plan Design and Consulting Services**

- Determine the optimal plan type
- Maximize employer tax deductions
- Maximizing desired participant outcomes
- Minimize costs for starting up and maintaining the plan
- Minimize costly mistakes of poor plan design
- Developing a plan that encourages recruitment and retention of valuable employees

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## TPAs Annually

- Create a participant benefit statement with reconciled investment balances and accurate vesting
- Create the Summary Annual Report
- Provide a comprehensive audit package for the CPA firm for large plans and ongoing audit support
  - Since many TPAs have accounting and auditing plan experience, this allows auditors to perform their work on the plan in an expedient manner. This can save the client money and time.
- Complete Form 5500 and related schedules
- Prepare SPD, employee notices & yearly valuations
- Assist in creating and in some cases distribution of required notices
- Federal withholding, Forms 1099, 945, 990(t)

## Additional Technical Expertise

- Merger & Acquisition Activity
- Controlled Group Issues & Compliance
- Assistance with DOL and/or IRS audits
- Affiliated Service Group determination
- Compensation definitions and guidance
- Advice and assistance with DOL/IRS correction procedures
- Complex funding arrangements (Like ESOP, DB, Non-Qualified)

The TPA's compensation and reputation are based on providing the comprehensive services they have committed to perform. Their success depends on satisfied clients referring them to their peers.

- Fees are cost-competitive and fully disclosed

## Why is partnering with a TPA my best option?

Such a high level of service for the Plan offers the sponsor and their participant's greater protection from any potential problems or issues.

- All of which is why many clients prefer a locally bundled solution where the advisor and TPA partner with the plan sponsor.
- These smart businesses recognize the value of additional oversight, regular compliance review and the assurance that participants receive accurate accounting of their funds and the company gets the necessary protection for everyone involved.

By approaching the plan sponsor as a team, you and the TPA can offer something neither of you can alone.

- *You each provide expertise necessary to the design and ongoing administration of a successful retirement plan and you are both locally available to both the plan sponsor and participants to meet their needs.*
- *The TPA will help design the optimal plan making sure it is a good "fit" for everyone, see that the plan is implemented expeditiously and accurately and maintained in compliance throughout the year.*
- *The TPA also serves as a relationship manager, answering questions and providing guidance so you can concentrate on your role as investment advisor and working with the provider to facilitate contributions, loans and distributions so things run smoothly.*

Many of the providers most prominent in your market segment find over 75% of their new plans involve a TPA and often encourage plan sponsors to use one. The relationships you build with the TPA and your clients help retain those plans in times where issues arise or when a review might suggest an alternative provider might be an option. The TPA, as your partner, can help you sell the plan, maintain the plan and keep the plan.

**Your Partner for Success** ▶▶▶

### Company Name

Company Address

City, State, Zip

Phone

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Email Address

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