



nipa
National Institute of
Pension Administrators

Moving TPA
Businesses Forward



How You Benefit from a Third Party Administrator

The mission of a Third Party Administrator (TPA) is simple: to act as an “independent set of eyes,” protecting the client’s best interest and ensuring compliance for the retirement plan.

Accuracy

The TPA’s job is to ensure accuracy and compliance for the retirement plan. They verify and review:

- Eligibility
- Participant deferrals
- Employer calculations
- Errors associated with participant accounts
- Oversight of contributions, reports and fees assessed by an investment company

This level of reconciliation is not performed by any other entity including the investment companies (full service or unbundled) or the Plan auditors. When 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.)

TPAs use several sources of information to verify the accuracy of an individual’s account. The TPA doesn’t simply import data into a software program; they rely on the expertise of a highly trained staff member with real knowledge of the plan.

Compliance Testing

In addition to reconciliation, a creditable TPA also performs the compliance tests of the Plan. These tests are mandatory and complicated. If an issue comes up during testing a full service provider might not make recommendations or provide solutions that address the issue beyond standard remedies. A TPA offers the optimal solution because of their collective expertise and intimate knowledge of the plan. They are able to look at the plan on a more personal level than a large institutional organization. They give each plan a thorough review of various testing options for the most favorable results.

Comprehensive Accounting

Once testing of the plan is completed, the TPA begins the accounting work. This includes:

- Reconciling of each participant account
- Reconciliation from payroll to deposits at the investment company
- Calculation of vested benefits
- Creating a participant benefit statement with reconciled/invested balances
- Creation of the Summary Annual Report
- Completing an audit package for the CPA firm for large plans
- Completing the Form 5500 package

Since many TPAs have accounting and auditing plan experience, it helps provide effectiveness when auditors perform their work on the plan in an expedient manner. This saves the client money and a fair amount of hassle.

What’s more, the TPA will assist with all loans and distributions to ensure their accuracy. They will always be ready, willing and able to answer questions on any topic—from eligibility to rehired employees, participant death or divorce to any other complicated matter facing the plan sponsor.

Plan Compliance and Regulations

The TPA will create and maintain 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. This contrasts with providers who usually operate on a reactionary versus proactive basis.

Such a high level of service for the Plan means the client and their participants stay protected from any potential problems or issues.

All of which is why many clients, once enamored by the full service model, turned to a locally bundled solution. 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.

The TPA will work with your financial advisor in conjunction with any investment platform you choose.

“Bundled” products are advertised as less complicated, but are less flexible and often less accurate with confusing fees.

Customized Plan Design that Fits the Client’s Needs

- Determine proper plan type
- Maximize tax deductions
- Minimize costly mistakes of poor plan design

Relationships – Trusted Partner

- Frequently a TPA can be the continuity on the plan
- TPAs are specialists in an area that is very complex
- Available for Client Meetings

Compliance and Technical Expertise

- Merger & Acquisition Activity
- Controlled Group Issues & Compliance
- Assistance with DOL and/or IRS audits
- Legislative changes

Comprehensive Accounting - Checks and Balances

- Independent review of client census data
- Independent analysis of client vs. vendor data
- TPA verifies the accuracy of all plan data

Cost Competitive

- Full disclosure of fees
- Gross to Net pricing using TPA Revenue as offsets to billable costs
- Competitive fees for level of services provided

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