Teaming Up

Keys to consider in looking for the right TPA partner

BY JUDY WARD
Over the past several years, Susan Conrad has seen that advisors can’t just focus on the investment piece of a retirement plan anymore. Plan sponsors now expect advisors to provide holistic plan management, says Conrad, director of St. Louis-based Plan-corp, LLC’s retirement plan advisors division.

That’s taking plan advisors deeper into areas like plan design, operations and fiduciary compliance than has traditionally been the case for many. A solutions “gap” that can be filled by partnering with an organization that does have that knowledge. For Conrad, partnering with a third-party administrator (TPA) has become an important part of her approach to helping clients holistically. Currently, she works primarily with Benefit Plans Plus, LLC, a St. Louis-based TPA. “To be an effective advisor in today’s arena, I think that TPA partners are essential,” she says.

In looking for a TPA partner, consider these issues:

Understand That TPAs Have a Choice

After 20 years of working only in a bundled service environment, advisor Brian Lumley decided a few years ago to gravitate toward an unbundled setup. So he sought partnerships, and he found that TPAs actually have a lot more advisors to select from for a partnership than advisors have TPAs.

“You have to convince them that the success of their clients’ plans is going to be better if you are their plans’ advisor, rather than other advisors,” says Lumley, financial advisor at Raymond James Financial Services in Springfield, Missouri. When he first started seeking a partner, he discovered that it helped to proactively demonstrate his practice’s knowledge to TPAs. “I showed them, ‘Here’s how our investment due diligence works, here’s how our quarterly investment reviews work, and here’s how our recordkeeper RFP (request for proposal) process works,’” he says.

Now partnering mostly with Springfield, Missouri-based Qualified Pension Services, Inc., Lumley’s practice has benefitted from a steady stream of client referrals from the TPA. “But to do that, I had to have a very good process that took me years to develop,” he says. “You have to have your business model down pat before a TPA is going to feel comfortable referring you to its clients.”

Define Where You Add Value

Advisors seeking a TPA partner should have a clear sense of where they add value in an unbundled service environment, Lumley suggests. “Our primary responsibility as advisors is to manage the investment-oversight process,” he says. “That is usually where the greatest need is for an advisor, in the TPA world.” When working with a new client referral from a TPA, he finds he can often add the most value by moving that plan to open architecture and lower-fee share classes.

Second, Lumley says, his practice focuses on helping sponsors manage their fiduciary risks. For instance, he often helps new clients develop an investment policy statement (IPS), and then subsequently helps them understand how to use it in monitoring investments. His practice also focuses on helping sponsors select and monitor their recordkeeper, including doing an RFP every three years.

Third, Lumley says he offers his plans participant-level fiduciary investment advice, and spends a lot of time doing onsite participant meetings. His practice does initial enrollment meetings, then comes on site periodically for one-on-one meetings with participants.

“In most of these unbundled cases, we find that no one has come onsite to meet individually with participants. And in many cases, the TPA has had to do the enrollment meetings itself, because the brokers they’ve been working with are not familiar with how to do enrollment meetings,” Lumley says. “We believe that’s a big component of what TPAs need when they partner with an advisor.”

"I say to advisors, ‘You stay in your lane, and I’ll stay in mine.’"
— Faith Irmen, Qualified Pension Services
A RECORDKEEPER’S PERSPECTIVE

Ann Slotwinski, VP of TPA Services at John Hancock Retirement Plan Services, agrees that a team approach can provide the plan sponsor with the best possible service when all parties focus on their strengths. “When our advisor partners team up with a TPA who can take the lead in addressing their clients’ unique plan design and ongoing compliance and administrative needs, they often find it increases the efficiency of their business and can help their practices grow faster and become more profitable.”

Slotwinski also suggests that a good partnership means the advisor should seek out the TPA’s input when it comes to vendor selection. “TPAs work with a lot of different vendors, so they are uniquely qualified to determine which recordkeeper may be the best fit for a client when it comes to efficiencies in bringing the plan on board, and ongoing ease of administration.”

Respect Where the TPA Adds Value

Don’t view what TPAs do as a commodity, recommends Keith Gredys, CEO and president of West Des Moines, Iowa-based Kidder Benefits Consultants, Inc. “If that’s the game for you, then we’re probably not the right fit for you,” he says. “It does not work as well if we funnel everything through the advisor, because things can get misinterpreted. There are some advisors who don’t want to work with us, because they want to control everything.”

With its “consulting TPA” model, Kidder goes beyond just number-crunching and staying in the background: For example, it routinely participates in clients’ plan committee meetings. “We provide additional services to an advisor, to help complement what the advisor is doing,” Gredys says. The TPA gets involved not just in technical details of operations and plan design, but broader support for sponsor clients such as spearheading recordkeeper searches. “Depending on the advisor’s preference, we can obtain the RFPs and the pricing,” he says. “We can take that off the advisor’s shoulders.”

Some advisors don’t want a TPA that is directly involved in client work. But to have an effective partnership with a TPA, an advisor needs to work as part of a team rather than in a silo, Gredys says. “We work best with advisors who see themselves not as the place for all the answers, but as the person who can pull together a team of experts, and then let that team collaborate to solve a client’s problems,” he says. “It’s not ‘I am your solution.’ It’s ‘We are your solution.’”

Advisors should look for a TPA that can add “alpha” to the advisor’s practice, Patrick Shelton suggests. For Benefits Plans Plus, its role depends on what an advisor needs, says Shelton, managing member at the TPA. “For experienced specialist advisors, a lot of what we do is validating stuff for them, whether it’s giving feedback on their sales strategy to recruit a new client, or the advisor bouncing a potential plan design change for an existing client off of us,” he says. Less-experienced advisors “often will lean on us a lot, for everything,” he adds. “We may do everything from researching client prospects to running plan committee meetings for our shared clients.” Sometimes advisors hesitate to take a TPA to client meetings, Shelton says, out of concern that the advisor will seem like less of an expert to the sponsor. “There is a fear for advisors that they’re going to get embarrassed,” he says. “So I coach advisors, ‘Hey, just take us to the meeting. I won’t say anything unless you turn to me and say, Pat, what do you think?’ You can run the meeting.”

Clarify Your Plan Design Role

In looking for a TPA partner, Conrad prioritizes technical expertise on plan design. “I want to make sure that the TPA can evaluate a potential plan design change and make sure that it’s the best option for a client,” she says.

Advisors need to know, before partnering with a TPA, how much of a role they want to play in plan design discussions. When a sponsor wants to explore a plan design change, Conrad has preliminary talks with the client about it, and Plancorp also collects the necessary data from the employer. Then the advisory firm gives that data to the TPA, which does all the technical analysis.

“Depending on the complexity of the plan design, we might deliver the details on the analysis to the sponsor ourselves, or if the design is really complicated, the TPA will go with us,” Conrad says. She generally handles meetings with clients about 401(k) design changes, but finds it helpful to bring a TPA for meetings with sponsors about design changes to cash balance plans, defined benefit plans and some cross-tested plans.

As an advisor in a bundled environment, Lumley often took the lead role in talking with clients about potential plan design shifts. But once he started working in the unbundled environment, he took more of a teammate role on plan design. “I had to stop talking sometimes, and understand that my role had changed in this TPA environment, and that I needed to make my business model more flexible,” he says. “I have to be cognizant that the TPA is the sponsor’s main contact for plan design issues. Those sorts of questions do come up in my quarterly meetings with clients, and instead of trying to answer the questions then, I say, ‘Let’s get together with the TPA and discuss that.’”

Don’t Overreach on Operational Issues

“I’ve had a lot of problems with advisors who know just enough to be dangerous,” says Faith Irmen, founder and principal at Qualified Pension Services. Those advisors have given sponsors techni-
Sponsors sometimes have operational problems that require help from a partner with both in-depth operational expertise and extensive internal resources to back it up, Shelton says. His TPA firm puts a major focus on helping sponsors with operational risk mitigation, and positions itself as an expert to “fix broken retirement plans,” as he says. He recommends looking for a TPA with the demonstrable ability to resolve complex operational issues, such as a CEFEX (Centre for Fiduciary Excellence) certification, and a TPA with staff members who have credentials such as the IRS’s ERPA (Enrolled Retirement Plan Agent) certification. The latter allows those staff members to represent clients in IRS matters.

“The issue isn’t so much, ‘Who is going to be standing beside you when things are going well with a plan?’” Gredys says. “It’s, ‘Who’s going to be standing next to you when things aren’t going well? Who has the depth of infrastructure that it is going to keep your clients out of trouble?’” For example, Kidder has a department dedicated solely to resolving plan operational issues with the IRS and the Department of Labor.

Clearly Explain the Communication Ground Rules
Sponsors don’t want the confusion of not knowing whether to call their recordkeeper, advisor or TPA with a question, Irmen says. “I’m looking for advisors who are going to help plans on the investment side and the participant education side, but who will defer to me on issues of operations, compliance, and plan design,” she says. “When I partner with an advisor, I come in with the advisor for a meeting with a sponsor upfront, and we go over the ground rules. So the sponsor understands, ‘Okay, this is the advisor’s realm, and this is the TPAs’s realm.’”

Conrad leads a retirement plan division inside a financial planning firm that has a culture “to be ultra-high service,” she says. She works with a lot of wealth management clients who are business owners, handling their business’ retirement plan. Occasionally, those sponsor clients call the TPA directly, such as on technical questions about annual nondiscrimination testing. “But most of the time, I like to be the primary contact for our sponsor clients,” she says. “So we ask a sponsor to call us first if they have a question. It’s more efficient for our clients.”

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