

HICKS NOTES

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May 2013

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DEMAND MORE FROM YOUR TPA

After working in this industry for over 30 years a few things have become apparent regarding TPAs in the pension industry. They vary greatly in understanding their role and delivering services to their clients. I believe the background of the TPA deeply dictates how they see their job and the services they deliver. The type you chose to associate with will dictate the services you receive.

The people who come from an Administrative TPA background tend to be one dimensional. They like square pegs for square holes and round pegs for round holes. They read the document, input the data and look for compliance issues. The problem with this mindset is that they rarely provide creative and forward-looking solutions to clients' problems and issues. We all know these people. If they find a mistake the first thing they do is write a three-page letter scaring you about how you must report it, pay a penalty, blah, blah, blah. The purpose of the letter is to cover their butts, show how smart they are and how dumb you were. When I hear about these letters I often wonder, who it is they think they work for; the IRS, the DOL or you, the Client. Rarely are they looking for solutions for the future or arguments that can strengthen their client's position. This comes from their background as an Administrator, not as a business owner. They cover *their* backsides, not the clients'. Their lack of creativity means missed opportunity in plan design communication.

The second type of TPA is what I call the "let's get paid TPA". They come from an insurance or sales background. These are the TPAs who are also offering financial products, back office support for wholesalers, or are simply unethical. These are the ones whose fee disclosure material is three pages of mumbo jumbo. They are paid through kickbacks from investment companies, use boiler plate plan designs and never get to know their clients. These "bundled" situations allow for these TPA's to operate in the dark with regards to fees and services they provide. No accountability means they are in it for the money and that's about it. They miss planning opportunities and overcharge for everything. These are the ones that are getting judgments against them and the ones the new Disclosure Rules are meant to ferret out. They rely on the investment advisors to sell their services

and the client is never given a choice or knows that they can get better for less. The client is seen as revenue opportunity and "churn and burn" is the motto. They are never local and face-to-face meetings are not an option. There is no stake in solving the client's problems unless they can make a buck off it. They are reactionary and uncreative - no need to be otherwise.

The third type is the Entrepreneur TPA. They come from a legal and business background and understand that they work for the client and must compete for business every day. They are innovative; searching for solutions and determining how to bring additional value to their clients. They are proactive and creative in plan design and problem solving. They are making arguments and fighting for their clients who have to operate and live in the real world. They fight the IRS and DOL daily for the benefit of their clients. I believe these are the best type of TPA's. This is my background and this is the type of firm I run. I understand the day-to-day challenges businesses face and am here to solve their problems through plan design, service, fees and communication.

Look at your past experiences and ask yourself, what type of TPA are we using? Look at their fee schedules and disclosure information. Are they offsetting third party payments? Did they recommend an investment vehicle or require you to use one? Do they write nasty letters intended to scare you? Are they just old and outdated? As an industry leader, I am demanding more from my colleagues. You old "churn and burn" guys, get out. Your days are past. You administrative types, see the bigger picture. Work for your clients and quit covering your backsides. It's not about you. For my staff, proactive problem solving is our goal. Think about what works best and figure out a way to get it for the clients.

Bottom line: Demand more and you will get more. This is an exciting time to be in business. Join us and you'll see what a difference working with a good TPA can make.

Call or email us with any questions or
pension administration needs.

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