

HICKS NOTES

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HIRING THE RIGHT TPA

The Third Party Administrators (TPAs) is the most important plan provider hired by a plan sponsor. They are responsible for plan design, documents, compliance and governmental reporting. There are many firms working in the retirement plan market. There are straight TPAs, producing TPAs, investment companies with bundled products, brokerage houses offering a "Self TPA" option, CPAs and finally payroll companies with bundled programs. While the options are many, understanding why and who you are working with is paramount to the success of the plan. We believe the unbundled option is best for most clients. Under this option, you know each party, their fees, and what services they provide. This has proven to be superior over time. For a review of roles of the various types of advisors, click [here](#).

Having a good TPA is critical to the smooth operation of the plan. Here are the important areas to review when selecting a TPA:

EXPERTISE: It all starts with the qualifications and experience of your administrator. The really good TPAs are training their employees to have the necessary required technical knowledge. If a company is growing rapidly, they may be forced to hire inexperienced staff. Do they have an Attorney on staff? Does the company have the experience and wherewithal to make sure the work is done properly? Are you able to get legal opinions or do they ignore or pass the buck when these issues arise?

If you are in a bundled product with a payroll company or other arrangement, you may not know exactly who is doing the administrative work? Many bundled arrangements are sold on ease of administration, yet their expertise is in something other than retirement plan administration. Payroll providers tend to offer limited plan design, limited fund line up, and poor service. Payroll bundled plans have also been red flagged for potential legal issues. Ultimately, any mistakes are the client's responsibility when the IRS or DOL come knocking.

TURNOVER: While an adjunct to experience, TPA turnover shows a problem maintaining staff and a lack of management skills which increase the chances for errors. You shouldn't have to retrain TPA personnel assigned to your plan. Look for long term staff to be assured you will be working with the same person year in and year out. A TPA that is consistent and competent helps with communication and accuracy over the long term.

SERVICE: Are your calls being answered? Is your TPA proactive with new ideas or plan design options to help the owners maximize their plan's outcome?

Is the work performed timely and accurately? When a problem arises, are you given options for solving the problems or just told what to do? Great service is an art. Look for it in your TPA or make a change. Often poor service is a symptom of the issues mentioned above.

FEES: Are the fees outlined in an understandable way? Are you being "nickel and dimed" with extra fees for phone calls, 5500 form filings, trust accounting, or just add-ons because they can? Too many TPAs have a published fee schedule, but the actual bills are much higher. Compare your bill with the fee schedule and make sure you are getting what you paid for. If you can't understand the fee structure, they could be hiding something.

OFFSETS: are another area ripe for TPA abuse. Do you know how much your investment company is giving to your TPA in third party payments? Are these payments being offset against your bill? They should be. Disclosure regulations require the Plan Trustees (Fiduciaries) to know how much and to whom all payments are made and the services they are receiving for these payments. So many hide these payments. It is the plan sponsor's duty find them.

COMMUNICATION: In addition to the items listed above, TPA communication is paramount to running a plan. Is your TPA communicating with you, your CPA and Financial Advisor? Are they giving you answers that you can understand? Are they pro-active or reactive? Are they playing hide the ball by omitting important issues you need to know, but don't know to ask? Too many TPAs just want you off the phone. Does the TPA provide resources for greater understanding? Are you aware of upcoming deadlines and participant disclosure requirements? Communications such as emails and newsletters with information and links to articles, reminders of fiduciary duties, and new issues and laws as they arise are important. A good TPA will give you the big picture so you can understand the various issues and history that enable clients to make better and informed decisions

BOTTOM LINE: Experience Counts. If you are having any issues with your TPA, make a change. It is easy and efficient given the electronic nature of files and documents. We don't charge to take over plans and can solve any outstanding problems that may exist. Don't spend additional time and money in a bad relationship, when there are better options out there. Looking for a new plan? We prepare proposals for fee. No matter what your need, we are here to help.