



# BARGAIN BASEMENT TPAs



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This may seem like an odd topic for me to discuss considering I work for a TPA firm, but a recent situation I encountered inspired me to write again and I'm long overdue.

Before we get into it, let me first express my sincere appreciation for all TPAs out there (well, OK, except for those discount ones that provide ZERO service which we'll get into, and oh, let's not forget those pretend, pseudo, in-house, payroll company TPAs who are definitely NOT TPAs). Sorry, little outburst there, but I mean it, I do appreciate TPAs because we all face the same challenges. Most people don't even understand what we do. Even the name is terrible, Third-Party Administrator, I mean really? What does that even mean? CPA makes sense, Certified Public Accountant, eloquent, clear, concise, but TPA, not so much.

TPAs are, in general, without a shadow of a doubt, the

most under-valued person working on your retirement plan. A retirement plan is only as good as its TPA because it's a TPA that makes sure that: (1) your plan design allows for the maximum benefit for all, owners, company & participants alike; (2) calculations and reconciliations are accurate; (3) provides, understands and interprets the plan documents; (4) performs the administration, (5) provides support and assistance with loans & distributions, (6) performs all compliance testing and completion of annual tax forms; and more, and NONE of which are performed by your financial adviser, unless he/she is also a TPA. And, if I may, those bundled provider situations, and payroll company TPAs, while it is true they can perform some of these basic functions, you will never receive the support, attention to detail or service that you and your plan deserves, plus 9 times out of 10, there will be mistakes, and those mistakes will continue to occur year after year after year, unless you catch them at the onset.

Another challenge we face is fees. If you ask most TPA firm owners, they will tell you that the TPA business yields a very low profit margin. Considering the importance of the work we perform, it doesn't

make a whole lot of sense, but it's true. We must be competitive in our pricing. Unlike most record-keeping and provider fees, and many times advisory fees, which you cannot even see or figure out without a PhD in reading Fee Disclosure Notices, TPA fees are hard-dollar costs to the employer, they're tax-deductible but still tangible, in other words, clear and transparent. There are some instances when TPAs get paid through the plan assets, but that's pretty rare. Most TPAs I know use invoices, as do we.

So, like anything else we get bills for, it makes you wonder if you can be doing better. Am I paying too much for this service? Can I get the same service for less money? Well, like everything else it depends. For example, my cell phone carrier is separate from my home cable provider. I refuse to bundle all of these services together. If I did, I'm sure I could save a good amount of money, but I still refuse. Why? Because I'm happy with my cable company, and I'm happy with my wireless service. I'm willing to pay a little more to have what I want and what I consider to be better.

I've always been a firm believer in getting what you pay for. I've said it multiple times in my articles and in comments to posts, etc. and the TPA market is no exception. Cheaper does not mean better. And going back to my original topic of discussion, I have encountered some situations lately where I've seen low, bargain basement pricing, but unhappy customers. Here's what I've been told, there's no service, no support, haven't even met the person, the TPA made them feel stupid (true story, no joke), no contract or service agreement, no refunds for advance payments and more. I'm happy to say they're our clients now, and

they are willing to pay a little more to get the service and support they want and deserve.

The moral of the story for plan sponsors is this, unfortunately, there are many fees within your plan that you should take a look at, including your TPA. I have no doubt that if you haven't looked at your plan fees in a long time, chances are you can be doing better. But cheaper doesn't mean better. It's perfectly acceptable to pay a little more for a service that you're happy with. Even the DOL says so. But ask the questions. If you don't understand your fees, ask your providers to spell it out for you. Get a second opinion. I bet you'll find that there will be many other places in your plan where you can reduce your fees and costs, without having to settle for a bargain basement provider!

Priority Pension Services, Inc. (AFI) is a full-service employee benefits consulting, actuarial, and third-party administration (TPA) firm. Please don't hesitate to contact me on Linked In, email: [ginam@ppsafi.com](mailto:ginam@ppsafi.com), or direct: 516-584-2750 ext. 2 for information, a free consultation or with any questions. We're happy to help in any way we can!



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