

VOL. 20 NO. 2 SECOND QUARTER 2010

The SPARK Journal

A Quarterly Journal for the Retirement Plan Industry

Valuing TPA Services from a Client's Perspective

Surviving The Downturn

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COMMENTARY

Valuing TPA Services from a Client's Perspective Surviving The Downturn



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TPAs able to streamline their operations and thereby free resources to attend to a broader range of client priorities, including providing more useful reporting, will stand out in a crowded and overly competitive marketplace.

Many TPAs budget substantially all of their resources for essential tasks that their clients don't see, understand or value. Little is left to provide other services that resonate with the plan sponsor or that create new revenue opportunities. The greatest opportunities for success may turn on whether TPA resources can be utilized to profitably provide a more complete suite of services that more fully meet client needs. That will require re-engineered operations and new tools.

Over the years, we have observed that plan sponsor priorities include:

1. Managing their fiduciary responsibilities
2. Assigning the technical details to a third party
3. Ensuring that the plan meets its business purpose
4. Obtaining advice that impacts the desired outcomes
5. Avoiding surprises that almost always carry negative implications
6. Obtaining insightful reporting as opposed to facts
7. Obtaining timely service, and
8. Being confident that their advisors are truly engaged and executing their responsibilities.

TPAs willingly accept plan technical oversight responsibility. Unfortunately, time consuming tasks that individually hold little value to the plan sponsor are required including:

1. Gathering and scrubbing demographic data and financial data
2. Reconciling client data to record keeper data to TPA data and
3. Reconciling asset data.

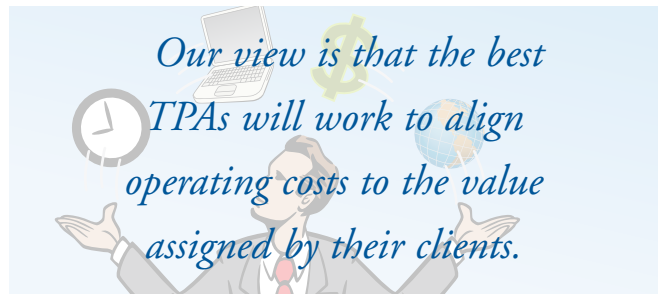
Reports produced using standard industry compliance software are often data filled but lacking insight or an understandable assessment of how well the plan is meeting its goals. The reporting typically fails to serve as a guide for future action. TPAs able to streamline their operations and thereby free resources to attend to a broader range of client priorities, including providing more useful reporting, will stand out in a crowded and overly competitive marketplace. The most efficient TPAs will be more successful retaining clients, maintaining reasonable pricing and unearthing consulting opportunities.

TPAs attempting to strengthen client relationships face another significant challenge. A client's understanding of how well the TPA manages the plan oversight role is primarily obtained in two interactions. The first interaction is when compliance data is requested at year-end. The second is when the TPA's testing results and compliance reports and Form 5500 are delivered.

Unfortunately, the tools used to request data often fail to create a positive impression because they are cumbersome to use and they lack easily accessible client support. Follow up questions aren't asked for days or even longer, frustrating clients when they are told that their replies must be returned immediately to ensure that deadlines are met.

Ineffective communication and clumsy data gathering cause the second client interaction, delivering government compliance results and tax returns to be near deadlines, thereby demanding unnecessarily urgent actions.

More effective state-of-the-art real-time ways of communicating with clients will dramatically enhance the client's data submission experience while providing better data to the TPA at a lower cost. Faster, more accurate data collection also will speed work product delivery. Lowering costs will allow a TPA to rededicate newly available resources to respond more directly to the client's other priorities, thereby improving the customer's experience.



Suggestions for Reengineering Services.

Our view is that the best TPAs will work to align operating costs to the value assigned by their clients. That means that client interactions must be more effective and the costs of performing routine back office work must be lowered.

We suggest that TPAs seek better technology to interact with customers to address the high costs of ineffective client communication and data gathering. Better TPA branded software will lower the cost of acquiring the data and will materially speed completion of the annual compliance effort.

Better technology will have several attributes. First and foremost, it will be affordable. We operate in an economic climate where just maintaining prior period revenue is challenging. Better technology must provide immediately demonstrable savings. The technology should be web based so that clients don't have to load software for a single annual event. And the technology should include multiple support options. The people assigned to provide data to a TPA are often not familiar with the required technical terms used. They may not understand the questions being asked or they may simply be challenged with common data exchange tools like data file imports and exports. Good data gathering technology isn't a static web page that functions as a data depository. It will also perform tasks that heretofore have been performed by professional staff. Using software to immediately ask clients to address data anomalies presented by online data scrubbing will lower labor costs and the immediate feedback will please clients accustomed to waiting for days or longer before receiving a clarification request from the TPA.

Talented but costly plan administrators often perform routine tasks that can be more efficiently provided by lower cost, specially trained staff. Hiring and training lower level specialists is a way to manage costs while allowing the most talented people to expend their energies providing services that support their relatively high compensation.

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A call center can support many routine client interactions, for example. It can also support clients using the online data gathering software. Other effective ways to leverage senior administrators is to hire mid-level professionals or to use outsourcing services, seasonal employees or interns. Proper training and a managed workflow will allow senior professionals to allocate a surprisingly large part of their workload to other less costly staff.

The laws and regulations applicable to qualified plans have become more streamlined, with a typical TPA serving safe harbor plans that now account for roughly 40 percent of their defined contribution plan volume. The technical oversight for many plans is more straightforward and the trend towards uniformity and simplicity is continuing. In response, it is possible to more fully utilize the capabilities of recordkeeping compliance software understanding that the software is very capable of producing the right results if the proper inputs are supplied. Using the software's robust compliance capabilities reinforces the concept of building a less expensive labor force capable of performing substantially all compliance related tasks for most plans. TPAs can gain leverage in this way much the same way that physicians are gaining leverage by working with mid-level providers such as nurse practitioners and physician assistants. In both models, we recognize the need for the skills of uniquely talented individuals but we leverage those skills over a larger client base.

A growing business that leverages the talent of uniquely qualified people over a larger customer base requires better management tools. Practice management software that allows a TPA to know the status of every plan being served

is essential. Good workflow data allows management to identify potential service issues and to dedicate the necessary resources to serve the client appropriately and to ensure that work is properly distributed among team members.

An effective practice management software solution will provide:

- 1) Information warehousing capabilities
- 2) Information sharing capabilities
- 3) Information system-wide reporting capabilities, and
- 4) The discipline and structure that forces constituents (internal and external) to adopt standardized practices that result in high levels of client satisfaction.

Information warehousing means that source documents are no longer found in offices or on individual hard drives but are treated as an organizational resource.

Information sharing enables organizational intelligence to be easily recorded and accessible to appropriate parties on a real-time basis.

Information system-wide reporting results in real-time intelligence that can be mined and reported in ways that support better decision making.

Since information no longer is confined by proximity or preference (computer hard-drive; administrator's office) it can allow for a more functionalized and flexible approach to managing administrative tasks. Firm resources can be narrowly tailored to fit the exact need that will result in high client satisfaction since source documents are easily accessible and processes are organizationally defined. Client needs can then be matched with firm resources based on the availability of real-time intelligence.

We believe that better, more efficient operations should be accompanied by enhanced reporting. A TPA's work product should communicate the results of their work but it should also emphasize the TPA's special training and experience by demonstrating knowledge and perspective. The entire reporting package should be reviewed with consideration given to how the TPA can positively impact the plan and demonstrate their oversight engagement.

Conclusion

It has been our experience that improved operations can reduce a TPA's costs by as much as 50 percent while speeding delivery of the annual compliance reporting by several weeks. That is accomplished through the use of better software tools that facilitate internal and external communication. Multiple client support options facilitate better, more effective communication. A judicious use of labor, managed with specialized practice management software, optimizes TPA operations while creating a better customer experience. The most efficient TPAs will prosper even during challenging times. ■