As A Plan Provider It Won't Matter If You Can't Fix This

By Ary Rosenbaum, Esq.

So much of my advice for retirement plan providers deal with marketing and other advice on how they can improve their business. The problem with that advice at times is that there are certain problems that a plan provider may experience that the advice can't cure. For example, you can't worry about marketing if you have persistent problems in your operation. As they say, putting lipstick on a pig isn't going to change the fact that you're dealing with a pig. This article is citing some of the problems that you may experience as a plan provider that you have to clean up before you can even think about marketing your services to potential clients.

Not communicating with the client

They always talk about doctors who might be brilliant at what they do but have a bad bedside manner. The same can be said about retirement plan providers who might be great at what they do but aren't very good at communicating with the client. Communication with the clients is one of the most neglected aspects of the plan provider-relationship and is one of the major reasons that a plan provider can get fired. As a plan provider, you need to show plan sponsors "proof of life" that you're there doing a good job and that you're not taking your relationship with them for granted. If you're a financial advisor, you don't have the luxury of being a third party administrator (TPA) and lean on the end of the year compliance, you need to show up at the client every six months or every quarter to review the fiduciary process of the plan. Besides "proof of life", it's important to communicate with the client on any issues or possible issues. There are way too many plan providers out there, especially on the TPA side, that don't have a pro-active approach when it comes to any compliance issues. I'll never forget a plan sponsors who had multiple years of failing the discrimination testing for salary deferrals and matching contributions, yet the TPA never bothered to have a discussion on whether safe harbor 401(k) contributions is a possible option to fix this annual failure. You need to communicate with your client about something they need to take care of, any changes in the retirement plan marketplace, and something as simple as returning phone calls in a timely fashion. It's so hard to get new clients and it's so easy to lose old clients, so don't lose them over something as simple as a lack of communication.

Not paying attention to details

One thing that makes a plan provider not very good at what they do is a lack of attention to detail. When it's the TPA, that lack of attention to detail can gravely hurt a plan sponsor by creating a whole host of compliance issues that are costly to fix. For a financial advisor, not paying attention to detail is not letting the plan sponsor know of any issues with the investment options under the plan or any surrender charges that might be incurred if there is a change of investment providers or the TPA. For an ERISA attorney or auditor, not paying attention to details are issues that should be easily detected. Plan providers who pay a strong attention to detail make fewer errors and don't put plan sponsors in harm's way than providers who don't have the expertise and don't pay attention to the minutiae of their job. No marketing skills can help you if you don't do a competent job in the day-to-day operation as a plan provider.

Not properly training employees

I have worked for TPAs and I used to joke that we hired people right off the boat. That didn't mean these people were immigrants (like my parents), it really meant that we provided them with absolutely no training. And just hired them off college graduation. The first TPA I worked with, hired people from my alma mater, Stony Brook University. The problem is that we never really provided them with the training to understand what they need to do as a plan administrator or a compliance specialist. Improperly trained employees make a lot more mistakes than those employees that are properly trained and have the experience to do their job well. Whether it's training on-site or getting employees the training they need through ASPPA, fi360 or DALBAR, it's imperative as a plan provider that any employees involved with a retirement plan in any fashion have the necessary background and training to do their jobs properly.

Having too much employee turnover

I worked for a TPA once that I joked that our front door should be a revolving door because we had such employee turnover, whether it was voluntary or involuntary. Too much employee turnover has many problems. First off, it shows the plan sponsor client that you don't have stability. Secondly, it's hard to find good employees and too much turnover usually means you have some good employees who are bolting you for greener pastures. Thirdly, losing good employees causes problems back at work because it's time-consuming and costly to hire and train new employees. A plan sponsor client for a TPA usually wants one point of contact and it's a headache for them every time the contact changes every few months You need to take care of employees especially if there is a huge turnover with experienced employees going somewhere else. I jokingly say that the employer-employee relationship can be summed up as such: no employer thinks they pay their employees too little and no employee thinks they get paid too much. Being a retirement plan provider is difficult and you need to have a stable workforce because it provides a consistent level of service that an organization with little stability can't offer. People like stability and plan sponsor clients don't want any hiccups on your end and a hiccup is a consistent change of the people that a plan sponsor has to deal with.

Having no vision

I have spent a lifetime, learning that experience is the greatest inhibitor of creativity and change. Whether it was at my old TPA, that semi-prestigious law firm I worked at, or my old synagogue, it was experience that was the greatest obstacle of all. The retirement plan industry is in constant flux and you always need to change with the times or the times will change you. You must always be open to change and recognize the changes in the industry around you. Experience is a great thing to have as long as it's not an obstacle to innovation and change. Plan providers who were not open to change and couldn't identify change around them whether it was the decline of the use of the defined benefit plan or the proliferation of the fee disclosure regulation. You need to have a vision and you need to have the ability to change with the times, otherwise, it's going to be downhill.

Not being able to accept fault and say you're sorry

No plan provider is perfect and neither are you. The first TPA I worked at, one of the owners said it best that the purpose of an errors and omissions policy is to pay for any errors and omissions they caused. You will make mistakes, it how you deal with them that is important. You can be like some providers and make excuses by blaming the plan sponsor or you can be the provider who accepts blame, apologizes, and take steps to make sure the errors don't happen again. Most plan sponsors are reasonable people. They are likely to look past mistakes as long as you apologize and accept blame. I'll never forget working on a law firm 401(k) plan where it was clear that the deferral and top-heavy tests were incorrect because they properly mislabeled the wife and daughter of one of the named law firm partners as a non-key and non-highly compensated employees. There was no reason for the mistakes as the wife and daughter had the same last name as the named partner. Yet the TPA made so many excuses as to why the top-heavy test wasn't their fault. The plan sponsor just wanted the TPA to admit their error and move on. When the TPA couldn't do that, the plan sponsor fired them. There is nothing wrong in admitting you're wrong. There is wrong when you don't and don't use the mistake as a learning lesson to avoid future mistakes.

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