

How A Plan Provider Should Handle Employees

By Ary Rosenbaum, Esq.

I always say that the main reason that I don't want to have employees is that I was an employee once too. An employee wants to get paid as much as possible and the employer wants to pay as little as possible. I have yet to find the employee who says they make too much money and I have yet to find the employer that says they pay their employees too little. Any organization that wants to be successful needs a staff of employees that are competent and worth their salary. So for a retirement plan provider, that usually means having a good staff of loyal, well-trained employees. Due to the nature of the business, there are so many retirement professionals that aren't very good especially because they never got the proper training. If you have a great team of well-trained professionals, you need to make sure they stick together. It's no different than a professional sports team, you can't afford to lose great people through free agency and unlike pro sports, there are no guaranteed contracts in the retirement plan industry. This

article is all about how to treat employees and avoid the revolving door of them that could only negatively impact business.

Don't cheap out on the benefits. People won't feel as bad that they aren't well paid like other similarly situated professionals if they have decent benefits. Again, when I worked at some third party administrators (TPAs), we had some of the worst benefits

possible and we were in the benefits business. Every time the health insurance plan was up for renewal, we got another plan that was worse. Having great benefits is a great way to deflect pay that isn't considered generous and gets people thinking about not moving across the street to work for the competitor if they think their benefits are better than what across the street

busy dealing with their client than dealing with the needs of their own employees. Not only is having a good 401(k) plan for employees good for employees, it's also good in keeping up appearances. It's hard to say how great you are as a plan provider if your plan isn't very good. A good 401(k) plan is all about rewarding employees and using it as a tool to recruit and retain employees. From experience, it shouldn't be used to get better pricing from other plan providers like a plan custodian. A plan should be for the exclusive benefit of employees, not to get brownie points with other plan providers. People who work for plan provider know what goes on, a plan provider send awful signals when they use their 401(k) plan to curry favor with other plan providers.

Have a real H.R. Director. I'm not talking about using the boss' wife, who showed up every now and then. Have a human resources director who will not be related to the folks who run the place. A human resources director can be an effective tool to

has. What you can't give up in pay, give up in benefits or vice versa. Otherwise poor pay and poor benefits will only keep certain people staying (more on that shortly).

Have a good 401(k) Plan. You always hear of the expression that the cobbler's kids have no shoes? Well, there are a lot of plan providers with lousy 401(k) plans. Just like the cobbler, plan providers are too

keep employees happy if they think the h.r. director can be an effective sounding board. Plus human resources director typically have enough people skills to make sure that some employee discipline or termination of employment can be handled in a way to avoid litigation. My TPA was sued by three different employees when I was there for about 4 ½ years, most of these cases had no merit. Having a human



resources director instead of dealing with the guy in charge would have gone a long way in deflating issues that became the basis for litigation.

Have real policies and procedures: In addition to having a human resources director, you need policies and procedures when dealing with employees and employee conduct. Issues of possible discrimination always need a process in place in order to manage and avoid these issues. As a plan provider, you should know all about process. That means you need to

have policies and processes in place in managing employees. As with any plan policies and procedures, you know that you actually have to follow what you implement. Otherwise, any allegations of misconduct by you towards your employees are only going to get that more attention by employment lawyers insistent on pursuing litigation.

Don't confuse loyalty with longevity. At that TPA, some of the most well-treated employees were employees who worked there for many years. The bosses there had way too much loyalty in these employees, more so than for employees who were important cogs in their machine. The problem with having loyalty in employees just because they were there that long is that you may forget why certain employees work at a specific place for so long. Some employees have many years of service working at a place because they love it and some people stay working at a place because they couldn't get a job anywhere else. Unfortunately for my old TPA bosses, many of their long standing employees couldn't get a job anywhere else and that was the reason they were long standing employees.

Add benefits that don't really cost anything. There are enough discounting groups or organizations that an employer could join and offer benefits to employees that don't really cost anything. Negotiating with a gym for an employee discount or allowing employees to join a credit union go a long way

Provide real training. In order to have

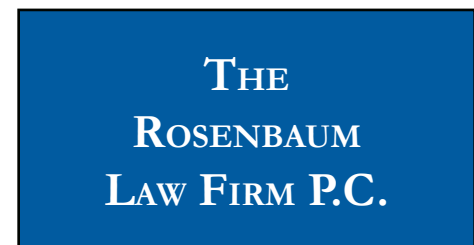


a competent business, you need competent workers and good training goes a long way. Too many TPAs give training a short shrift and it shows. Good training goes a long way in nipping issues in the bud because if you're offering a competent service, that is one fewer issue clients will leave you over. When I started in the business and worked for a law firm affiliated with a TPA, I was amazed how little training they gave their plan administrators, especially so many of them that were fresh off from college. The retirement plan business is consistently changing with law and regulation changes, you need to make sure that your staff has the right training. Even longtime employees need continuing education to make sure they aren't missing anything with law changes. I'll never forget talking to a seasoned plan administrator in 2007 who was using a 7 graded vesting schedule for matching contributions for client plans when it was outlawed in 2002.

Give real feedback. When I was at a law firm in Boston, they were telling this paralegal how good she was and then terminated her a few weeks later. This isn't the game of Survivor, there is no need for blindsides. Be frank and honest with employees how they are doing. If they need to improve their job performance, tell them. It will help them and help you. Being passive-aggressive when you only criticize your employees at certain points like annual review and termination doesn't help anyone. It only exacerbates the situation and also makes you look bad to the employees who survive

Keep your word: When you have agreements and contracts in place with employees, it's important that you actually follow them. Your word is your bond and if you go back on your word in promises to certain employees, it's only going to make you look bad among all your employees. The reason is that if employees see how you treat other employees, it only makes them untrustworthy of you if they see how you handle others. You make a deal or promises with employees, just keep your side of it.

Avoid the revolving door: I worked at a TPA with fancy offices. Based on the turnover, I suggested that the front door be a revolving door. Every organization needs continuity. A plan provider needs continuity in staffing, especially when it comes to plan administration. If you're a TPA, I'm sure clients would be unhappy if your day to day contact for your clients changed every six months. Constant turnover isn't good for your clients and it's not good for you because hiring and training new employees takes so much time, time that's taken away from doing your job as a plan provider. If you treat employees right, they won't leave because happy employees never leave.



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