RETIREMENT

Finding the Best Fit in a Third-Party Administrator

By Ellen Uzelac

When it comes to retirement plans, the advisor-recordkeeper relationship is critical. Just ask Jessica Maldonado, Vice President of Searcy Financial Services in Overland Park, Kans., who vets prospective recordkeepers under what she calls a "no-surprises model."

Not only does Maldonado demand a robust technology platform for tracking, reporting and plan management, she wants a third-party administrator (TPA) with a healthy business and a transparent fee structure. She also knows what she does not want.

"One criterion is that they can't compete with us in providing service. I want an independent third party that is not doing investment management," says Maldonado, "I need to have confidence that they will do what is in the plan's best interests, not what's in their own."

Not surprisingly, selecting a TPA or recordkeeper that is the right fit can be a challenge. But with due diligence, advisors like Maldonado are identifying relationships that have helped take their retirement plan business to new levels.

As Skip Schweiss, President of TD Ameritrade Trust Company, puts it: "Advisors are often intimidated by all the different services a plan needs. You need a TPA that does the heavy lifting. The right TPA can handle most of that work, letting advisors focus on choosing investments for the plan."

Like many other aspects of providing financial services, working with retirement plans comes with challenges. Dan Shelley, Senior Vice President of McCready & Keene, a consulting and actuarial firm, offers this cautionary note: "When I started in 1975, we thought the rules were complicated. The rules and regulations implemented since then have made things even more complex. This is something the advisor and the TPA have to get right." ■

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Finding the Right TPA

1. **Interview several firms.** Get recommendations and concentrate on firms known for accuracy, timeliness and guidance. Find out as much as you can. How does the staff break down? Has there been high turnover? What kinds of credentials are involved? Does the firm have liability insurance? Rolf Trautmann, President of Trautmann Maher, a consulting actuary serving as a TPA says, "You want someone willing to work with you in areas in which you lack expertise."
2. **Look under the hood at the technology.** Insist on a highly encrypted and robust database built on an up-to-date platform. Confirm that all data is secure, with backup at a separate site. A comprehensive technology platform is an absolute necessity, as is flexibility. Most recordkeepers can rebalance based on a fixed criteria, notes Matthew Hutcheson, who heads Matthew D. Hutcheson LLC, an independent fiduciary firm that connects advisors with TPAs. Just as important, he says, is the ability to create automated glide paths that rebalance "on the fly."
3. **Find a recordkeeper that can accommodate growth.** Ask a company representative to verify the firm's bandwidth for growth in terms of technology, database capacity, capital and staff. Try to discern if they could become overwhelmed with new business.
4. **Seek out a proactive TPA.** Look for a firm that encourages problem solving and brainstorming. "You want a recordkeeper that asks a lot of good questions and seeks clarity on your objectives," says Hutcheson. "You want someone who can tell you what they can do, not what they cannot."