

TPA Partnerships: The New Paradigm



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Consulting Services
August 2013**



Retirement & Benefits Compliance
Customer Conference

Goals of Today's Session


Challenge you to think about your business in new ways



Explore opportunities for partnering



Identify 10 successful partnership characteristics



Review actual partnership case studies

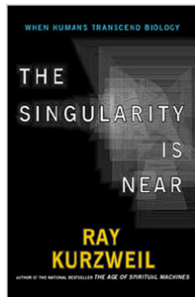
The Rate of Change

We double the change rate every decade...

We will witness 1,000 times the rate of progress in the 21st century as compared to the 20th century...

The exponential growth of information technologies is even greater:

We're doubling their power about every year...



- Ray Kurzweil,
author, futurist

iPhone is bigger than all of Microsoft

CNNMoney



507 comments



With the unveiling of the iPhone 5 expected to come Sept. 12, we were wondering: Just how big is the iPhone?

On its own, Apple's iPhone business would be a **Fortune 50** company.

It's also bigger than all of Microsoft ( **MSFT, Fortune 500**). Not just Windows or Office -- the iPhone generated more sales than the entirety of Microsoft's product lineup over the past four quarters.

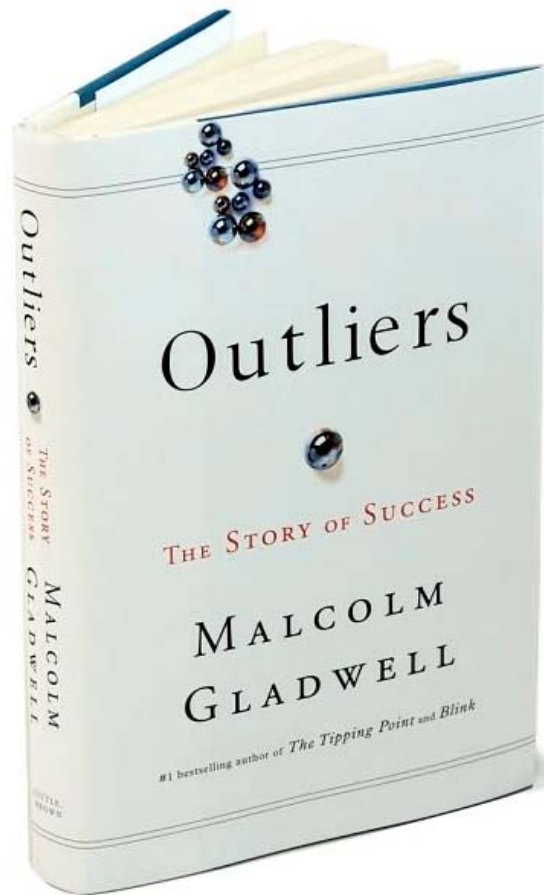
Microsoft famously got kicked to the curb in the smartphone race by Apple ( **AAPL, Fortune 500**) and subsequently Google ( **GOOG, Fortune 500**). It's been forced to play catchup ever since ... so far unsuccessfully.

Had Microsoft played its cards better five years ago, would it have been twice the size it is today? And would Apple be half as big? That seems unlikely, but what's clear is that the iPhone is the most business-crucial product Apple has ever released.

NEXT: iPhone vs. iEverything else

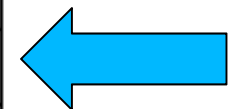
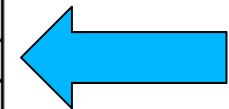
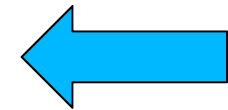
BY DAVID GOLDMAN @CNNMONEYTECH - LAST UPDATED SEPTEMBER 09 2012 12:31 PM ET

Think Differently

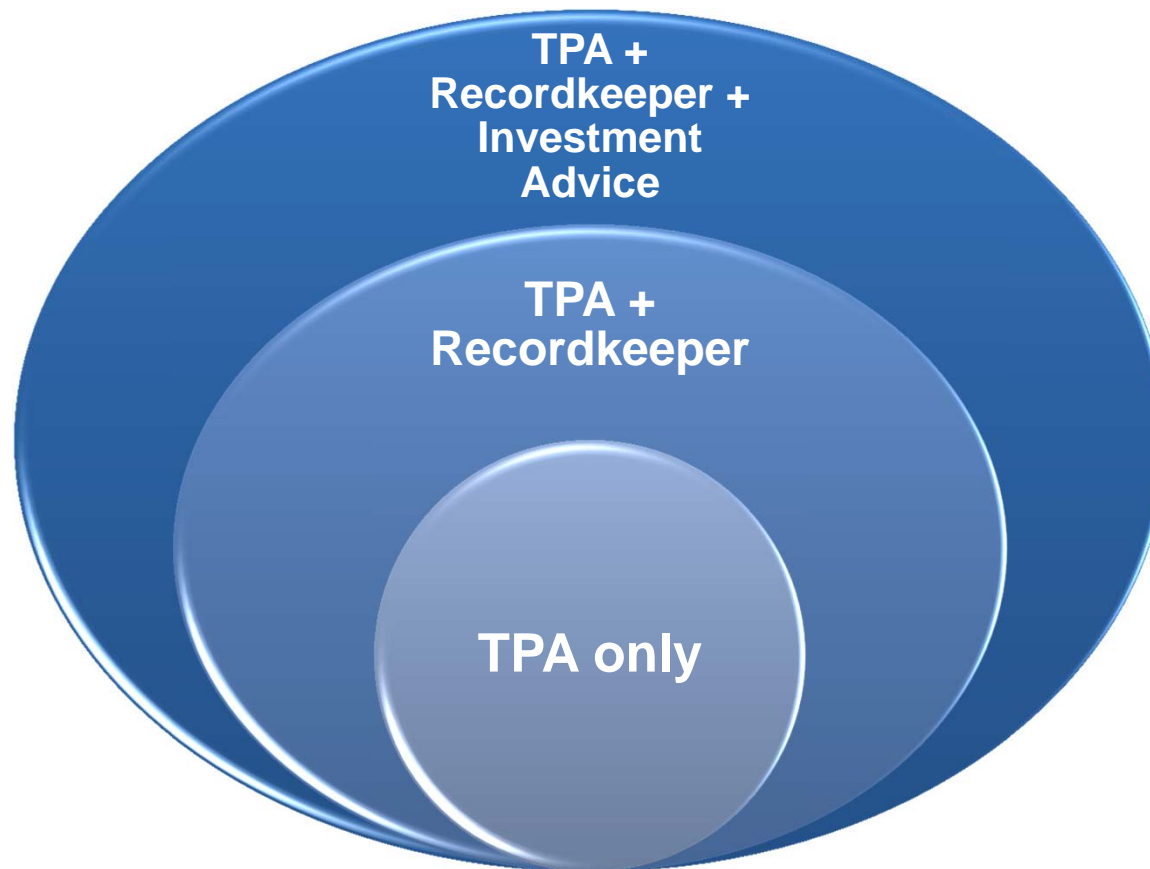


ASPPA TPA Survey: *RIAs and Partnerships*

Firm size	Concerns in order of priority	Opportunities in order of priority
<100 plans	Cost of and exposure to fiduciary liability	Offering investment advisory services*
	Cost of dues and CPE	Becoming RIA*
	Cost of regulatory compliance	Partnering with other TPA firms
	Achieving profitability targets	Offering fiduciary audits
	Fostering successful organizational culture	
101 to 250 plans	Achieving growth targets	Offering fiduciary audits
	Succession planning	Becoming RIA*
	Retaining key talent	Offering investment advisory services*
	Cost of dues and CPE	Expanding into 403(b)
>250 plans	Competing with low cost providers (payroll firms)	Partnering with TPAs and regional payroll co.
	Squeeze on profit margins	Acquiring or merging with TPA firm
	Communicating value	Expanding into 403(b)
	Succession planning	



Opportunities: *Open Architecture Fiduciary Services*



**Fiduciary
Services**

**3(38)
3(21)
3(16)**

Top 10 Successful Partnership Characteristics



#1: Look for A Good Match



Partners have similar mission, core values,
and culture.

A Failed Partnership *Culture*



AOL	Time Warner
High Tech	Old-world
Tight on finances/Cost Cutting	Spendthrift
Casual, khakis and cotton shirt	Suit and tie
Centrally managed	Decentralized - autonomy at division level
Smaller, younger	Big, mature – AOL the size of a small TW division
Top Down Management Style	Improvisational Approach
20 somethings	Gray beards (Bronson)
Compensation – Stock Options – Internet Trend	Profit sharing – Old School
Unitary Culture	Diversified Enterprise
Focus on stock price	Focus on organic business growth

Partnership Example: *Does Geography Matter?*



**Park Avenue
Wealth Management**
(at Morgan Stanley Wealth Management)

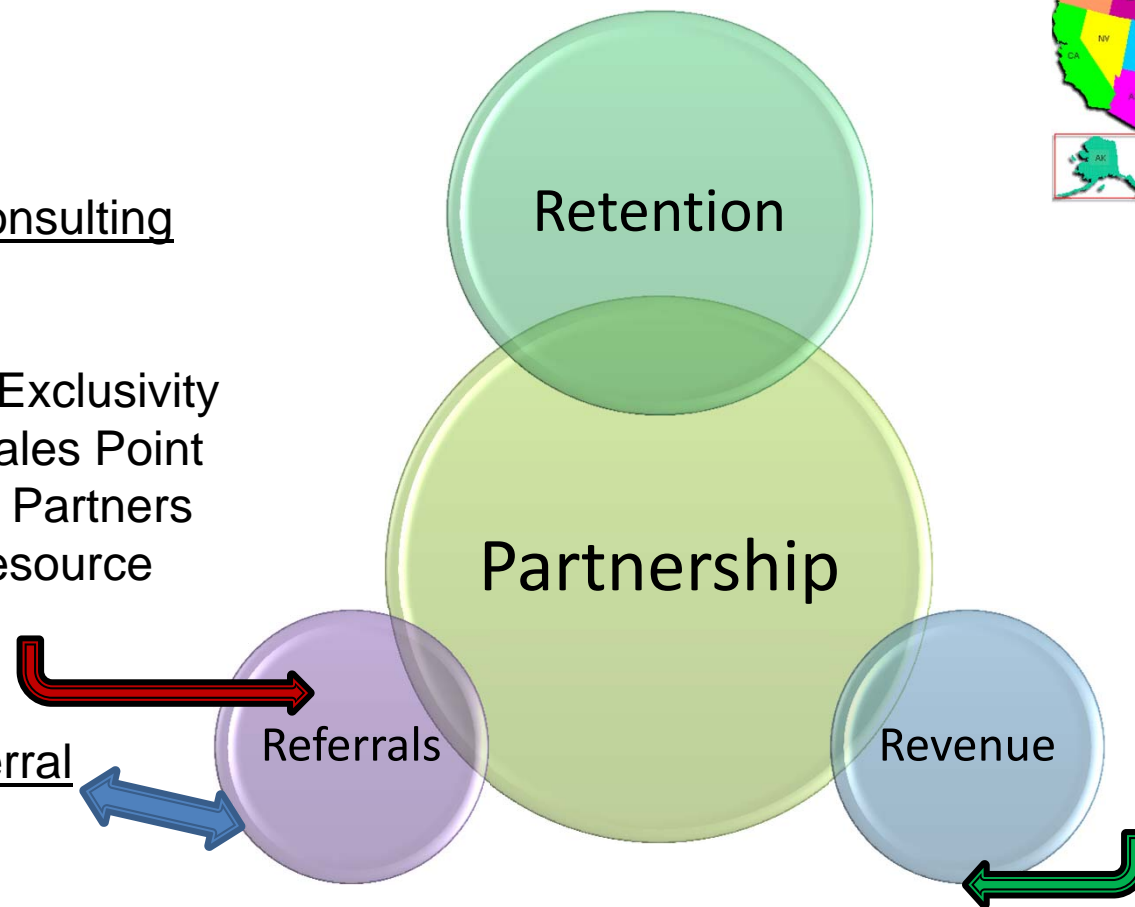
Sun Retirement Services

Referral
or Fee
Based

Co-Branded Consulting Team

- Geographic Exclusivity
- Beginning Sales Point
- Relationship Partners
- Objective Resource Expansion

Two-Way Referral



#2: Focus on Growth



The partnership strategy is focused primarily on growth rather than cost savings.

Partnership Example: *TPA/RK/Advisor – TPA/RK*

Example 1: Why it works

- ✚ Similar mission, vision and values between the firms;
- ✚ Excellent personality compatibility between firms' owners;
- ✚ Experienced, credentialed administrative staff in the outsourcing partner;
- ✚ Commitment to fiduciary standards and ASPPA Service Provider Certification by the outsourcing partner;
- ✚ Experience with Daily Valuation recordkeeping and outsourcing arrangements with other TPA firms (partner TPAs);
- ✚ Same technology platform for administration/recordkeeping used by primary firm and outsourcing partner;
- ✚ Commitment to maximizing use of technology and automation (Relius ASP, STP) by outsourcing partner; and
- ✚ Phased implementation over two-year period.

Example 1: Challenges

- ✚ Conversion issues for primary firm's 403(b) plans;
- ✚ Training and retaining TPA employees in the producing TPA primary firm;
- ✚ Keeping pricing competitive; and
- ✚ Staffing for growth in the partner TPA firm.



"On-shoring"

<http://money.cnn.com/fdcp?1284921804462>

CNNMoney.com

Forget India, outsource to Arkansas



By Jennifer Alsever, contributing writer

July 8, 2010: 3:56 AM ET

(CNNMoney.com) -- Looking for skilled, low-cost labor? Forget about India and China. How about Jonesboro, Ark.?

As the national unemployment rate hovers near 10%, some companies are starting to eye job-hungry areas of the country as prime candidates for the kind of outsourced work that once would have gone overseas.

Dubbed "ruralsourcing," "rural outsourcing" and "onshoring," the practice relies on two simple premises: Smaller towns need jobs, and they offer a cheaper cost of living than urban centers. So businesses that outsource work to these areas can expect to pay less -- rates are often as much as 25% to 50% lower -- than if they were hiring urbanites with comparable skills.

In response, a new crop of outsourcing startups are popping up with development centers in places like Joplin, Mo., and Eveleth, Minn., where hundreds of employees crank out software code or offer IT support for large corporate clients.

"It's extremely timely given our economic climate," says Mary Lacity, an information systems professor at the University of Missouri-St. Louis who has written 12 books on outsourcing. "And I think there's a demand for it."

Compared with the estimated \$60-billion-a-year offshoring industry, rural outsourcing remains just a blip on the radar. Yet the strategy is becoming a more popular option for businesses that are trying to stretch their budgets.

One rural outsourcer, [Onshore Technology Services](#), recruits workers from minimum-wage jobs and gives them intensive training in IT specialties. Sixty-five people work in IT centers in the rural Missouri towns of Macon, Lebanon, and Joplin.

Advertisement

An advertisement for Xerox Real Business. It features a person in a red uniform pushing a metal cart filled with stacks of papers. The text reads: "We focus on automating Marriott® Hotels' global invoice process. So they don't have to. Learn more at RealBusiness.com". The Xerox logo and "Ready For Real Business" tagline are at the bottom.

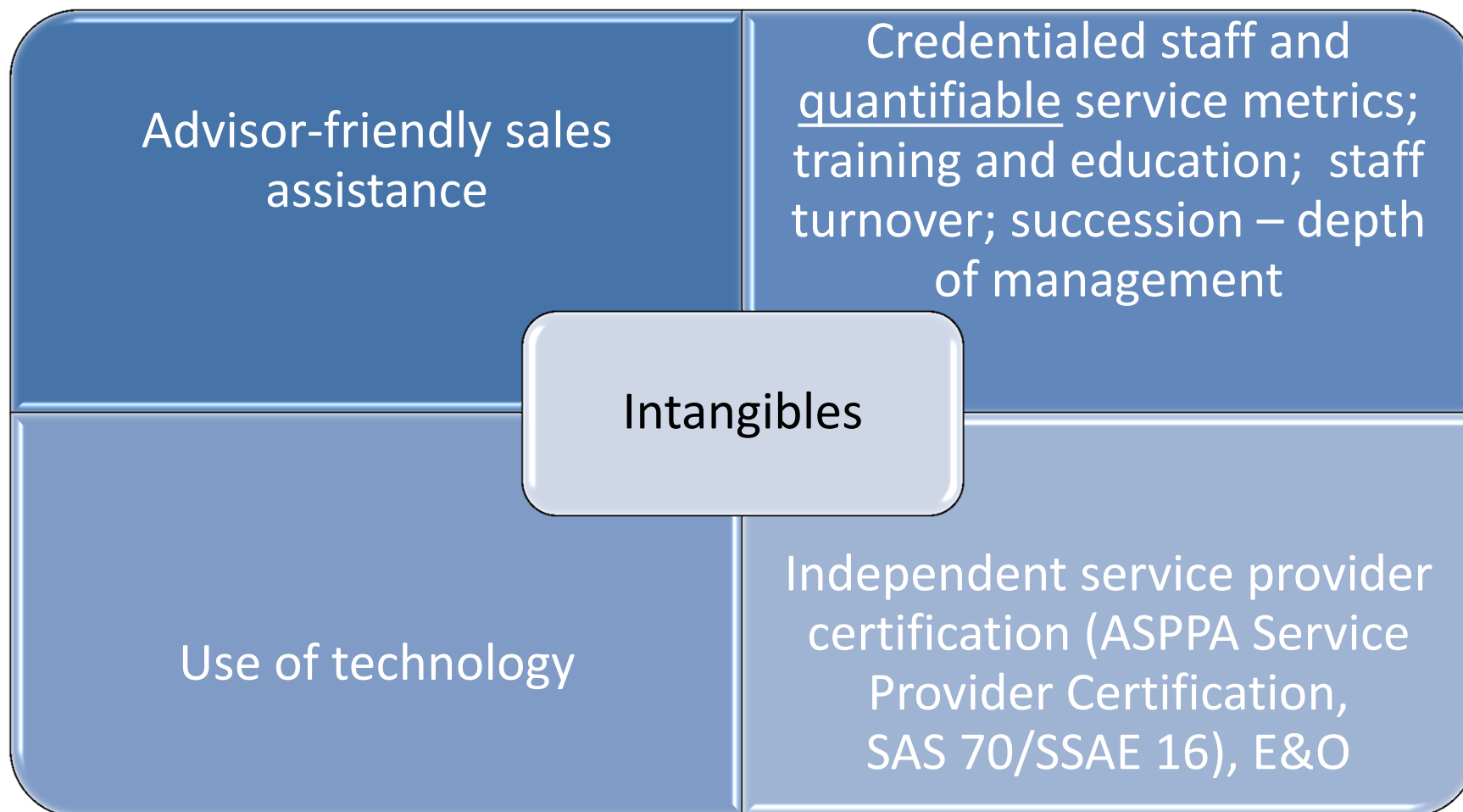
Print Powered By FormatDynamics™

#3: Exercise Due Diligence

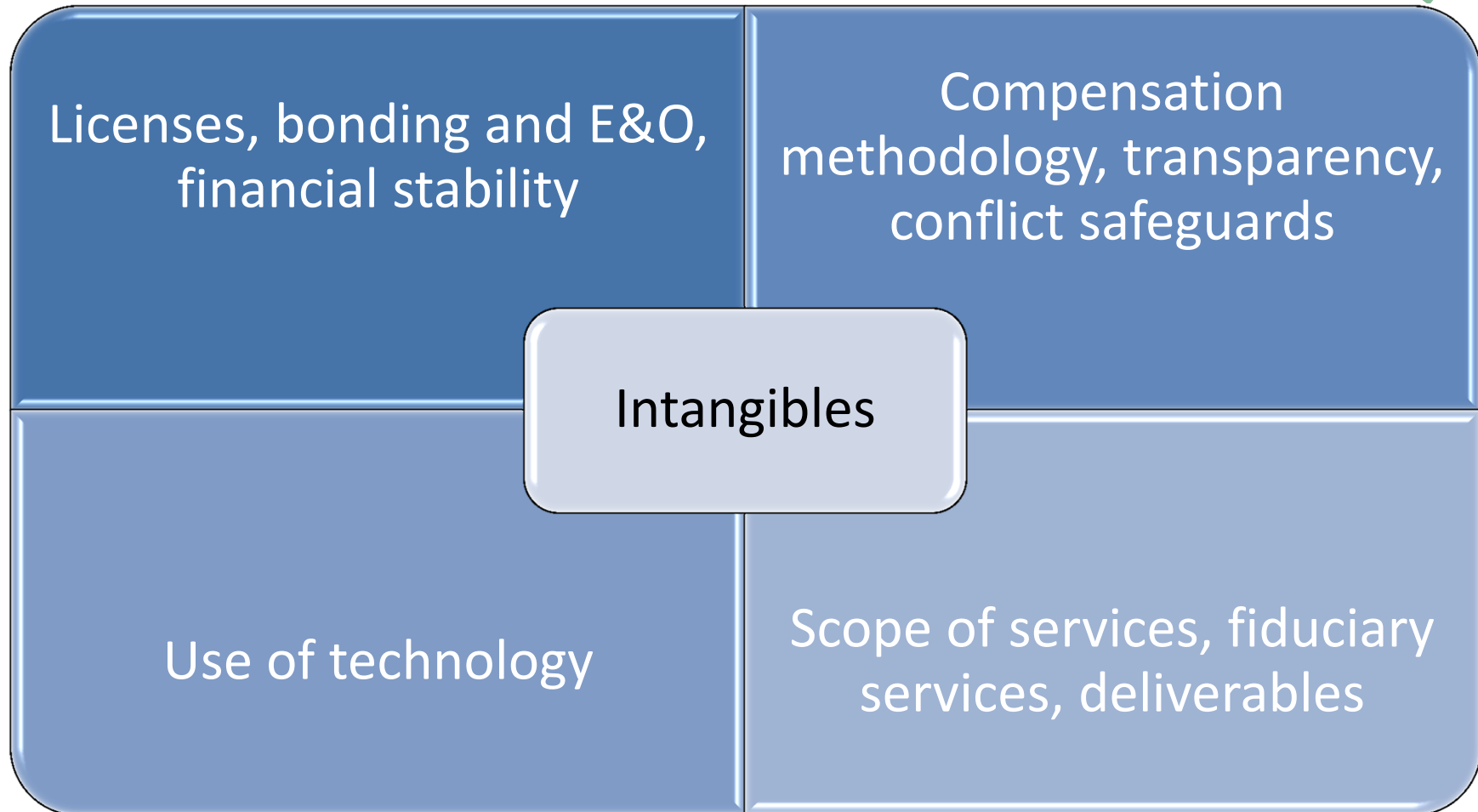


Each partner exercises due diligence when reviewing the prospective partnering firm.

Advisors Evaluating a Service Provider



TPAs Evaluating an Advisor/RIA



SWOT Analysis - TPA

Strengths

Boutique-level services
Trained staff
Technology
Attention to detail
Understanding the rules

Weaknesses

Technology
Succession
Fear of change
Lack of sales culture
No business plan or documented processes

TPA

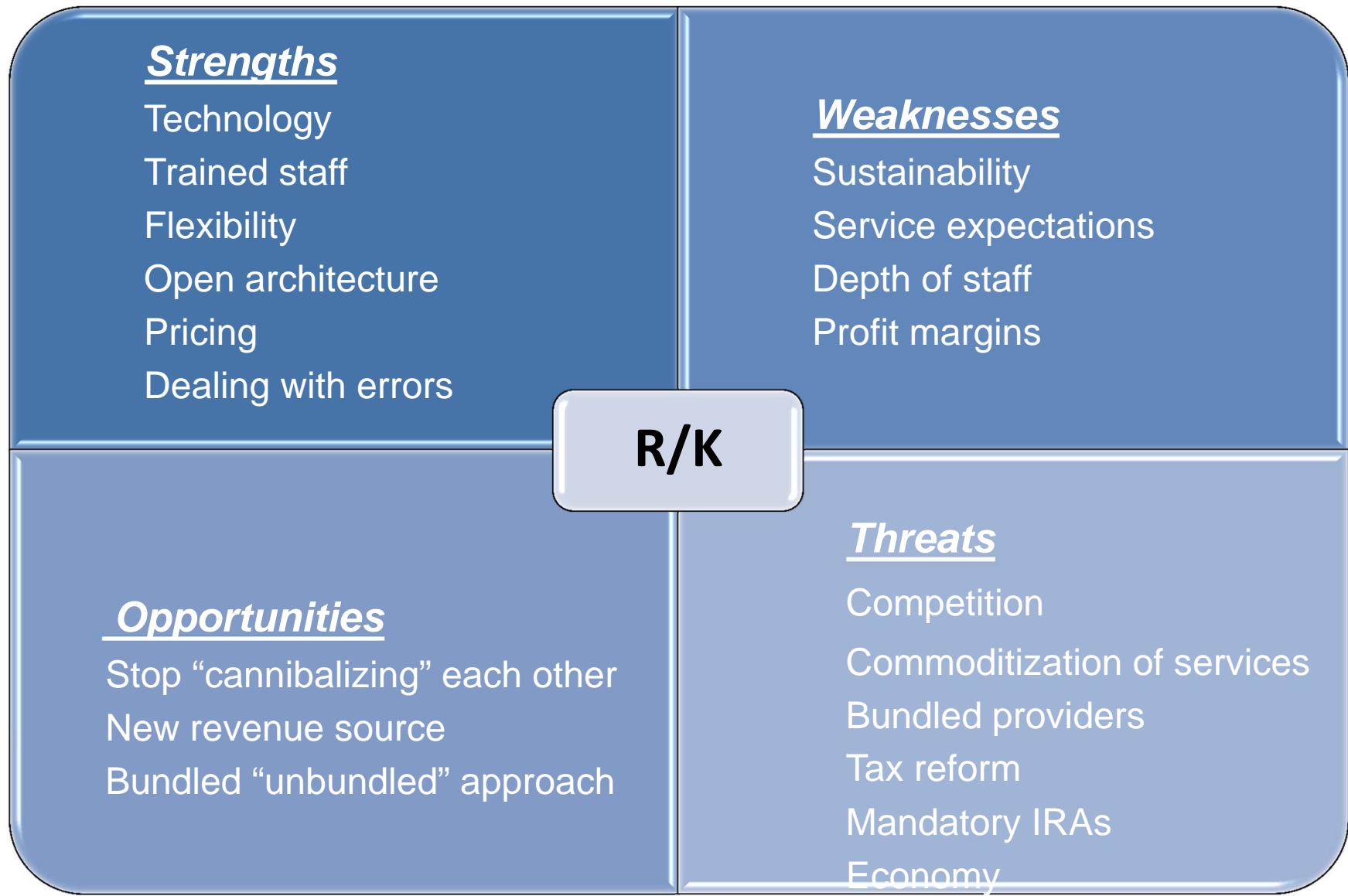
Opportunities

Control “orphan” plans
New revenue sources
Partner with RIA
Bundled “unbundled” approach

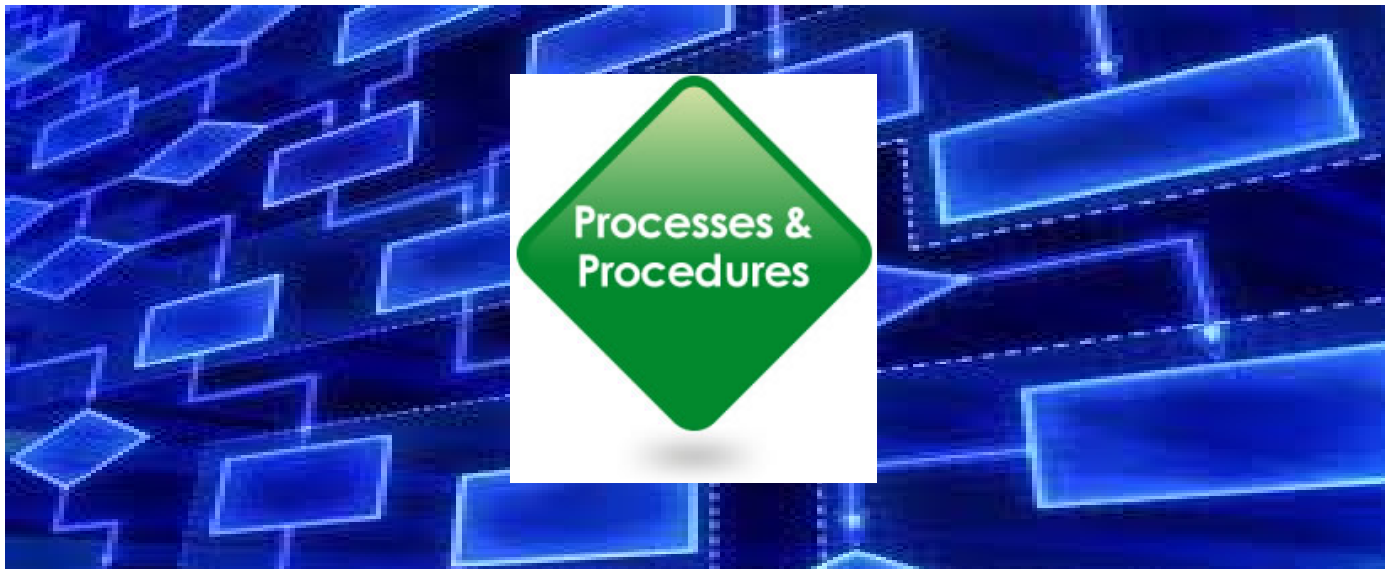
Threats

Broker referral source loss
Commoditization of services
Bundled providers
Tax reform
Mandatory IRAs
Economy

SWOT Analysis - Recordkeeper



#4: Have Well-Documented Procedures



Each partner has well-documented procedures, beginning to end workflow charts, and up-to-date technology PRIOR to implementing a partnership model.

#5: Ensure Data Security

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TOP



Security, confidentiality, and data integrity issues are anticipated and addressed. Consider remote worker security issues also.

#6: Clarify Fee Structures and Disclosures



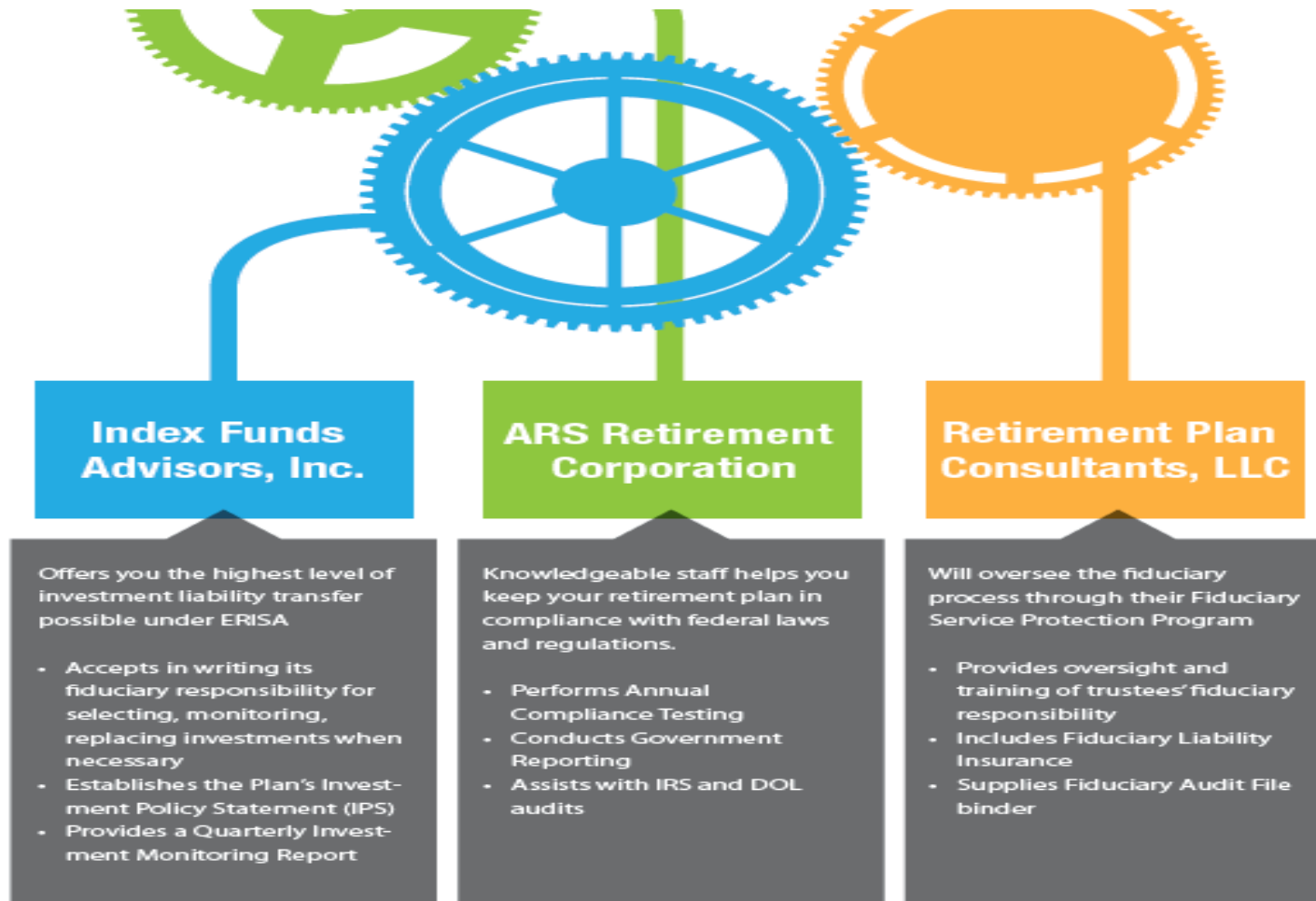
Each partner should understand fees to be charged. Fees should be transparent and disclosed to each client in the appropriate manner.

#7: Establish a Dedicated Team



A dedicated team, with members from each partner, is established. Team members are involved with the process from the beginning and define the partnership strategy.

Partnership Example: *An “Unbundled Bundled” Solution*



#8: Adopt a Phased Implementation Strategy



A phased implement strategy is adopted, with tasks and timelines clearly defined for each partner. Include a communication plan at all levels.

#9: Cover All Your Bases



A partnership document is executed and an exit strategy is anticipated.

Partnership Example:

2 TPAs – 1 RK

<u>Why it works</u>	<u>Challenges</u>
<ul style="list-style-type: none"><li data-bbox="254 589 1003 703">✦ Similar mission, vision and values among the three firms;<li data-bbox="254 711 1003 824">✦ Excellent fit between firms' owners and senior managers;<li data-bbox="254 833 1003 946">✦ Experienced, credentialed administrative staff;<li data-bbox="254 954 1003 1068">✦ Priority given to customer service over volume processing;<li data-bbox="254 1076 1003 1255">✦ Commitment to maximizing use of technology and technology training for staff ; and<li data-bbox="254 1263 1003 1377">✦ Phased implementation over two-year period	<ul style="list-style-type: none"><li data-bbox="1050 589 1869 703">✦ Conversion issues for larger, more complex plans;<li data-bbox="1050 711 1869 824">✦ Convincing bundled platform plans to move to an open architecture model;<li data-bbox="1050 833 1869 889">✦ Keeping pricing competitive; and<li data-bbox="1050 898 1869 1068">✦ Exit strategies for firms' owners including possible acquisition by one of the partner firms.

#10: Monitor the Relationship



Periodic reviews and “check-in” calls are conducted and an evaluation mechanism is established for monitoring the partnership arrangement.

The “99% Rule”

“The measure of success is not whether you have a tough problem to deal with, but whether it’s the same problem you had last year.”

- John Foster Dulles
former Senator and
Secretary of State



Opportunity: Cash Balance Candidate Criteria

Highly profitable companies with consistent profit levels – principals earning \$250,000

Owners or partners who want to contribute more than the DC contribution limits

Firms with profit sharing, 401(k) and/or new comparability plans

Firms already contributing 3% - 7% for other employees

Owners or key executives age 40 or older looking to increase retirement savings or “catch up”

Medical groups (“ologists”), professional services firms (CPAs, lawyers, engineers), family or closely-held businesses with older owners

Partnership Opportunities

Open architecture	Advisors/RIA	Fiduciary services	Outsourcing/ On-shoring
Cash Balance DB	403(b) 457	125/HSAs	Benchmarking
Payroll company	CPAs	Attorneys	Organizational partners

Partnership Pitfalls

C O L U M N

BUSINESS BEST PRACTICES

How to Avoid TPA Partnership Pitfalls

As the TPA profession has matured, companies have learned the benefits of partnership. Local TPA firms provide administration and compliance services to their plans and advisors while partnering with national recordkeeping providers. Many defined contribution TPAs partner with other TPA firms that offer defined benefit and cash balance plan design and administration. An emerging partnership area over the past few years has been larger open architecture TPA/recordkeepers partnering with TPAs that do not provide daily valuation recordkeeping in-house. Focusing on the specifics of what a firm does well, rather than trying to be all things to all clients, is what a good partnership arrangement can support. With an effective partnership arrangement, your firm can offer all services to a client without having to perform all services independently.

BY SARAH L. SIMONEAUX AND
CHRIS L. STROUD

this quality should be present in both TPA partners. Lastly, both parties should provide true fee transparency to the employer and participants, and together

Journal of Pension Benefits, Spring 2012 (VOL. 19, NO. 3)

The End



“Louis, I think this is the beginning of a beautiful friendship.”



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