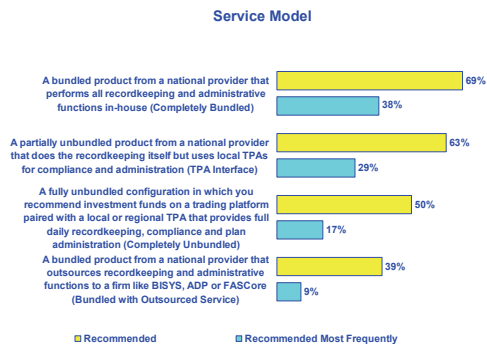


Third party administrators (TPAs) have become a pivotal link in the intermediated 401(k) marketplace. At one end of the continuum a relatively small but growing number of firms sell and service their own fully bundled product. At the other, a larger number of firms provide local service together with plan design and compliance testing in partnership with a national provider which organizes the investments and recordkeeps the plan. The result is a rich tapestry of choice for advisors and plan sponsors.

Indeed, a recent study of retirement services intermediaries by Brightwork Partners shows that advisors are almost equally divided between most frequently recommending a bundled, full-service product from a national financial institution and most frequently recommending some form of TPA-based service model instead.



For all their prominence in retirement services, TPAs were only vaguely characterized in research prior to Brightwork's 2005 and 2007 studies. *Third Party Administrators 3* builds on and is trended to this original work.

Companion to *RSI 6*

Designed as a companion analysis to Brightwork's widely-used *Retirement Services Intermediaries* series (now in its sixth cycle), *TPA 3* is the only large-scale quantitative national study of these crucial players. Subscribers are able to:

- Characterize the business development model of TPA firms (proportion of business coming from direct sales, non-affiliated advisor relationships or referral networks)
- Codify the services offered by these firms (full recordkeeping or plan design, administration and compliance only; investment product packaging; enrollment and installation support; other retirement and employee benefit plans serviced) and whether these services are provided in-house, on an alliance basis or outsourced
- Measure critical practices and characteristics of these firms including the names of providers with which they have relationships and the relative importance of each; average case size, total number of cases and recent growth; and years in the business, number of employees and number of offices

These metrics provide the basis for a systematic segmentation of TPAs, a critical first step toward designing and implementing an effective strategy for working with third party administrators.

Provider Selection Criteria and Provider Performance

How do TPAs select provider partners and how do they evaluate the providers with which they work? To map the competitive standing of leading retirement services providers in the TPA community, the study asks TPAs working on the “TPA interface” model to evaluate the *importance* of a range of variables, then to *rate the performance* of up to three providers on these same dimensions likely including:

- Being highly responsive to plan sponsor service requests
- Being highly responsive to requests from you, the TPA partner
- Offering highly effective participant service features such as call centers, an internet service site and an interactive voice response unit
- Being a sturdy, consistent, long-term player in the 401(k) business
- Having a well-known brand
- Providing comprehensive case-level enrollment services
- Providing comprehensive new case installation support
- Offering a flexible service model that gives you some choice of specific services to provide such as installation support, vesting calculations and loan administration
- Being fully committed to the TPA service model
- Being able to refer a steady stream of new business to you
- Offering flexible revenue sharing programs with competitive payouts
- Having an assigned relationship manager that works with you to build the TPA-provider partnership
- Having an effective preferred partner program
- Offering programs to help you market, manage and increase the value of your business

Providers Evaluated

Channel penetration is measured for all providers offering a TPA product.

Comprehensive competitive profiles are developed for American Funds, The Hartford, ING, John Hancock, Nationwide and Transamerica. Directional profiles are developed for Great-West, Lincoln, Principal and Schwab.

What You Can Learn

Subscribers to *TPA 3* are able to:

- Understand and segment TPAs
- Characterize in detail the needs of TPAs by size and business model
- Map by name the strengths and weaknesses of each of the leading providers interfacing with TPAs

Research Design

This research is based on executive telephone interviews with 415 TPA firms which service 401(k) business. The sample is screened from the Judy Diamond file of retirement plan administrators and industry sources.

Subscription Details

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