

The \$550 TPA is no *Advantage*

By Ary Rosenbaum, Esq.

When I was a kid, I remember my parents were shopping for a car and the sticker price had a base fee for the car with so many add-ons that I seriously wondered whether they would charge you for the steering wheel. As with any large purchase, any fine print may make that incredible low quoted fee impossible to attain.

A client of mine informed me that there is a third party administrator (TPA) that is publicizing its fee of \$550.

As an ERISA attorney, I will always say that picking a TPA just based on price is a losing proposition, but here is another story.

For the plan sponsor who may not know that a TPA base fee is just a base fee and any additional charges for their work will add up and that \$550 base fee may just be like the car that comes without a steering wheel.

The fees that the TPA listed, adds up with their a la carte pricing. There is a \$500 initial fee and a \$500 conversion fee, a \$250 charge per allocation group if the plan offers cross testing/ new comparability. A \$500 charge if you are not using their prototype document; \$400 testing fee if the plan is not safe harbor; and \$200 for each complex plan provision (whatever that is). There is a charge of \$150 for a late 5500 and \$300 for what they call incomplete data.

When you go to a restaurant, nothing wrong with a la carte pricing when you just want the meal. For the plan sponsor, a



“Charge ‘em for the lice, extra for the mice

Two percent for looking in the mirror twice

Here a little slice, there a little cut

Three percent for sleeping with the window shut

When it comes to fixing prices

There are a lot of tricks I knows

How it all increases, all them bits and pieces

Jesus! It’s amazing how it grows!”

Imagine Thénardier with his own TPA; imagine what he could have charged.

la carte pricing is deceptive because a plan sponsor doesn’t know what a TPA typically does. They know a car needs a steering wheel, they don’t know that if they have a four group cross tested allocation, that TPA will charge them \$1,000. Unless they get guidance, a plan sponsor may switch to this low base fee TPA without realizing that they may be paying more in the long run with these line item add-ons. A good bargain is only a bargain when you are paying that advertised fees. Whether the TPA is any good is another debate (see above).

This TPA reminds me of the song, Master of the House, from Les Misérables. The innkeeper Monsieur Thénardier kept on adding surcharges. He sang:

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