

How Plan Providers Get It Right

By Ary Rosenbaum, Esq.

The major reason that I started my practice is that every position I ever had as an ERISA attorney was with a third-party administration (TPA) firm or law firm that was poorly managed and just didn't understand how to properly run a business. I met a few former colleagues from a TPA I worked at Syosset that eventually closed up and we would laugh and retell stories about the craziness of the people running it. However, there are so many retirement plan providers that do get it and do simple things that are amazing, that let them stand out among the competition. These are the things that these providers get right.

Doing good work

Almost all successful plan providers have one trait: doing good work. Almost all? Well, two huge payroll providers draw a lot of business in the TPA space, but give a lot of work to competing plan providers in cleaning up their mess. If you do good work, people will certainly remember that and use you as a referral for a plan sponsor looking for a good plan provider. The good plan providers have great attention to detail, so which means fewer compliance headaches later down the line. When it comes to advisory work, I will always remember the one plan advisor (because they only had one 401(k) plan) or the broker who never saw the client for years and still collected their trail. They still exist, but I think advisory firms have produced enough information out there by focusing on the plan sponsor's fiduciary role, that those awful advisors are harder to find. By focusing on fundamentals, these good plan providers can grow their client base. Shoddy work increases a firm's churn

rate. For those that don't understand the term, a churn rate or attrition rate is a measure of the number of clients moving out of a plan provider's customer base. I will always contend that the two biggest payroll providers that are in the TPA business have a high churn rate. Good firms grow because they maintain their client and grow with new clients. As someone involved with the marketing aspects of TPAs, I will say it's far easier to lose a client than gain one. I finally understand, years later, why one



of my bosses was so upset about any little error made because his job was the sales part of it. When he would spend months recruiting a client, he knew that any error could lead to his firm getting fired.

Being ahead of the curve

The worst aspect of being an employee for me was seeing trends in the retirement plan business, warning my employer about them, and never hearing anything back. I'm still waiting on an email from 2006 from my higher-ups about the need

to embrace automatic enrollment as a producing TPA. The best plan providers out there are the people that identify trends in the retirement plan space and get ahead of the curve. I knew registered investment advisors talking about their ERISA 3(38) service in 2008, years ahead of other advisors adopting that model. I knew TPAs that were fully transparent on fees years before the Department of Labor (DOL) required them. I always remember Marge, the paralegal who trained me and whose

career started before the signing of ERISA. She told me that after the major change of the Tax Reform Act of 1986, many providers couldn't deal with the change and simply closed shop. We see that with every change since then, how many plan providers, especially in the TPA service left the retirement plan space before and after the implementation of the DOL fee disclosures in 2012? Quite a bit. Smarter plan providers change with the times, they understand that the business isn't static. When I worked at that semi-prestigious law firm and the managing attorney heard about my ideas for client recruitment through social media, she had absolutely

disdain for me and my idea, even ridiculing her husband, who was successful with it in his law practice. Success in this business isn't by luck or accident, it's about being ahead of the curve.

Great marketing

The providers that are doing it right, most are excellent at marketing. As you should be aware, marketing is the process of getting potential clients or customers interested in your products and services. In my mind, word of mouth from great work

can only get you so many clients. Years ago, I discovered the notion that I needed marketing to develop my client base. I was working at that semi-prestigious law firm and even though partners could make 50% of the legal fee for ERISA work I would do for their clients, I could never get any referrals from these partners. So I focused on developing marketing articles that plan providers could use in their client recruitment. The only problem was that thanks to the law firm bureaucracy, articles would have to go through 3 levels of partner review, and our marketing departments were stretched thin by



the law firm administrator who developed law firm administration articles that drew no business. So when I started on my own, the marketing and social media work, allowed me to develop relationships with plan providers that would gain me referrals. Providing free marketing material for plan providers to get clients to get you, new friends, in a hurry. Great marketing is all about producing engaging material for your audience. For a good plan provider, that could be the plan sponsor or other plan providers that serve as a referral source. It has to be written a language that the targeted audience understands, do writing something I call ERISAese is not going to get it done. My articles are focused on a call to action, things that plan sponsors and plan providers should be doing. I try to not stress the commercial aspect of the article by pushing my services. When plan sponsors have trouble, they know I'll be there, and plan providers know what I do. Marketing that is too commercial is going to be filtered out like spam email.

Keeping good employees

Speaking from experience, you're only as good as your worst employee. Good providers tend to be very good at recruiting good employees, training them, and keeping them. I've worked at places where I would joke that the front door should be a revolving door because of the huge turnover. Huge turnover in a plan provider

practice is a bad sign for everyone. It's a bad sign for the employees that remain and the employees that they hope to recruit. It's a bad sign for clients when they need a scorecard to keep track of their plan contacts. A revolving door is also a costly endeavor. It takes money and time to find new employees and to get them acclimated to their position when hired. The longest I've ever worked at a place is the job I have now and there was a time when I had 3 jobs in 10 months. It says a lot to me when I see people with 20 years or more working at a TPA or other plan provider. It says about them and it says about the place where they work. Good plan providers are also great at training employees. As I said, the business isn't static, so continuing education is important. I've worked at TPA where college graduates don't get any training for their job and they never got better, even with years of experience. Good retirement plan providers simply understand that to do things right, they need good employees, and they need to maintain them. Treating people with respect, paying them a good wage, and providing great benefits go a long way to keeping good employees. I've been reminded of the pains of being an employee every time my wife comes home to work, regaling me with stories about the pain of working where she works. People want to be treated like they matter and are respected, good retirement plan providers understand that happy employees never leave.

That's why it's important to keep employees happy.

Working with other plan providers

Good plan providers certainly understand that the retirement plan business is a relationship-driven business. That means how they work with their clients and how they work with other providers. Developing good relationships with other retirement plan providers goes a long way to helping with business and developing a reputation in the industry as someone to trust. I try to treat people in the industry the way I want to be treated and over 23 years, I could count on one hand the number of providers that didn't treat me well in return. Despite

an industry that covers the entire country, the retirement plan industry is very close-knit. Do great things and people will talk about you. Do bad things and more people will talk about you. Years ago, I went to a brokerage office and was told by the manager that one of my former employers was barred from the office for stealing business from one of his brokers. Good plan providers understand that their reputation means everything and treating other plan providers in an unprofessional manner is a stain that they can't easily clean.

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