



The following includes the Table of Contents and other information from the currently available report.

# Working with Today's Retirement Plan Third Party Administrators (TPAs) Opportunities and Challenges

February, 2009

RRI acknowledges with appreciation the use of information made available by Brightwork Partners, LLC from TPA2, ©2007, its recent telephone survey of 471 Retirement Plan TPAs.

# Table of Contents

	<u>Page</u>
Table of Exhibits	5
Introduction and Overview	7
Introduction	8
Overview of Today's TPA	10
Overview - Terminology	17
DC Plan Service Models	18
Market Segmentation and Market Share	22
Service Responsibilities in the TPA Interface Model	27
Provider Selection Process and Criteria	31
Provider Reimbursement Programs	37
TPA Business Models	43
Producing vs. Non-producing Models	44
Business Development Models	47

# Table of Contents

	<u>Page</u>
Market Dynamics	49
Historical Perspective	50
Evolution of the TPA - Directed Model	52
Profile of Today's TPA	54
Current Challenges Facing TPAs	63
Market Trends	67
Summary and Conclusions	72
Appendices	77
Appendix I – Glossary of Terms	78
Appendix II - Plan Sponsor Decision Models	81
Appendix III – Detailed Service Functions & Responsibilities	86
Appendix IV – Detailed Provider Reimbursement Programs	93

# Table of Exhibits

	<u>Page</u>
Ex. 1 - Market Penetration of the TPA Service Model - Estimated Impact on 2008 401(k) Sales	13
Ex. 2 - DC Plan Servicing Model - Completely Bundled	20
Ex. 3 - DC Plan Servicing Model - TPA Interface (Partially Unbundled)	21
Ex. 4 - 401(k) Market by Segment as of Year End 2008	23
Ex. 5 - Market Share Segmented by Primary Service Provider Type	25
Ex. 6 - Estimated Market Share of Corporate DC Plan Administration at Year-end 2008	26
Ex. 7 - Summary of Service Responsibilities	29-30
Ex. 8 - Plan Sponsor Decision Process	33
Ex. 9 - Selection and Evaluation Criteria for Provider Partners	34
Ex. 10 - Service Model Recommended by RIA	36
Ex. 11 - Provider Service Reimbursement Programs	39-42

## Table of Exhibits

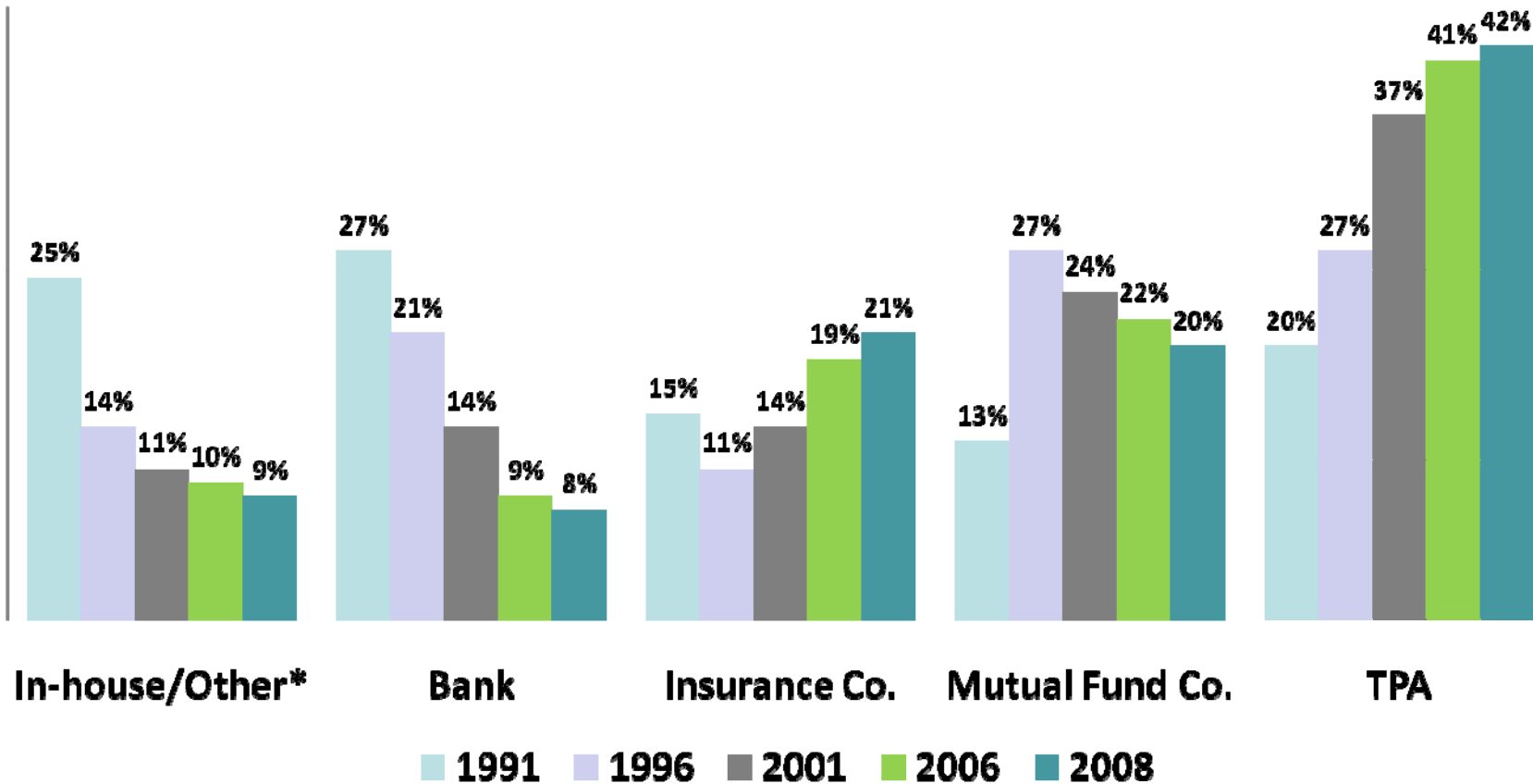
	<u>Page</u>
Ex. 12 - Business Development Models	48
Ex. 13 - Services Offered By Main Service Model	56
Ex. 14 - Services Offered By RIA Status	57
Ex. 15 - TPA Firm Characteristics Summary	60
Ex. 16 - TPA Firm Characteristics By Primary Service Model	61
Ex. 17 - TPA Firm Characteristics By RIA Status	62

# Introduction

Many product providers now regard Third Party Administrators (TPAs) as important service partners and as a significant distribution channel. Advisors focusing on the retirement market are moving toward a fee-based compensation model and RIA status; increasingly these advisors are partnering with TPAs to offer administrative and investment management services to plan sponsors, often in competition with packaged product providers. This report describes the services TPAs now offer, their relationship to other DC investment product and service providers, their influence in the DC plan market and the various business models in which they operate.

Retirement plan TPAs are not monolithic. Any one TPA organization can encompass and support a variety of plan servicing models depending on the requirements of a given plan and the product provider(s) selected. Thus, for a given plan a TPA may offer only administration while a national or regional provider offers recordkeeping and investment services; for another plan the TPA may offer plan design, consulting and administration services; for yet another plan actually bundle all recordkeeping and administration services itself and thus become a bundled provider. Individual TPAs also vary significantly in the types and average size of plans supported.

# Market Share Segmented by Primary Service Provider Type As perceived by Plan Sponsors



\* Includes brokerage firms