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The Journey of Retirement Third-Party Administration

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This article focuses on the need for TPAs to embrace change, foster collaboration, mentor new consultants, and provide strong leadership.

In the ever-evolving realm of regulations, procedures, and technology advancements, the essence of our work remains remarkably constant, rooted in a historical narrative that traces back to the emergence of Third-Party Administrators as service providers to retirement plans (Retirement TPAs). Their inception can be traced back to the evolving landscape of employee benefits and retirement planning in the United States.

In the early to mid-Twentieth Century, employer-sponsored retirement plans gained popularity as a way for companies to attract and retain skilled workers. A new national concentration on retirement plans provided through employers, including the introduction of the Social Security Act in 1935 and the increased establishment of employer-sponsored pension plans, contributed to the growth of retirement planning.

As retirement plans became more prevalent, the administration of these plans grew increasingly complex. Compliance with changing tax laws, regulations, and reporting requirements posed challenges for employers, leading to a demand for specialized

expertise in retirement plan administration. The introduction and passage of the Employee Retirement Income Security Act in 1974 (ERISA) was a landmark event that set standards for the administration and management of private pension plans.

ERISA aimed to protect the interests of employees and beneficiaries participating in these plans, introducing more defined fiduciary responsibilities, more involved funding and deduction rules, and significantly increased reporting requirements. In response to the complexities introduced by ERISA and the growing demand for specialized retirement plan administration, Retirement TPAs began to emerge. These TPAs offered services to employers to handle various administrative tasks, such as recordkeeping, compliance testing, reporting, and participant communication.

The shift from traditional defined benefit pension plans to defined contribution plans, such as 401(k) plans, in the 1980s and 1990s further increased the need and demand for Retirement TPAs. TPAs have since played a crucial role in the administration of 401(k) plans, ensuring compliance with regulatory requirements and assisting employers in managing these retirement savings vehicles.

With the advent of technology, Retirement TPAs started leveraging digital tools and software solutions to streamline their processes and enhance efficiency. The use of computer systems and later, the Internet, facilitated remote access to retirement plan data and administration.

The historical context of Retirement TPAs is closely tied to the development of employer-sponsored retirement plans, the regulatory framework provided by ERISA, and the increasing complexity of retirement plan administration. Retirement TPAs emerged to address the specialized needs of employers navigating the intricacies of administering retirement benefits while ensuring compliance with evolving regulations.

As we reflect on the intricate journey of Retirement Third-Party Administration, the call to action continues to be clear. Embrace change, foster collaboration, and lead with purpose. The evolving landscape demands a collective effort to navigate challenges, seize opportunities, and shape the future of Retirement TPAs for the benefit of plan sponsors, their employees, and the experts that make a retirement plan work.

In the spirit of unity within the retirement community, industry leaders continue to share their experiences and insights. Each has their unique perspectives

to contribute to the rich tapestry of knowledge that propels the industry forward. Through engaging in ongoing industry-level discussions, there is an exchange of ideas and collaboration on innovative solutions that address the ever-changing needs of retirement plan administration, which continues to demand a high level of service and expertise.

Staying informed about the latest developments in retirement plan administration requires an investment of time. It is important to continue to leverage resources that provide valuable insights into emerging trends, technological advancements, and regulatory changes. In an era of information overload, it demands prioritization of what is essential for the continued success of the TPA business. We must continuously listen to staff, reflect on the needs of clients, and then focus attention on these important ideas for development and/or enhancements to the every day.

It is equally important for all of us to address the concerns surrounding the aging-out of senior staff, requiring a proactive approach. There is a unique opportunity here to bridge generational gaps by sharing knowledge, through mentorships of the next generation, and actively participating in or facilitating discussions on how to pass on this expertise. The future of Retirement TPAs relies on the seamless transfer of these skills and experience right now to those who are developing in the industry.

All this evolution must happen while we focus on doing our work, meeting our deadlines, and pleasing our clients. All of that requires concentration on the present, while we simultaneously look to and protect our future as both a business and an industry.

Leadership in the retirement industry is not a static role but an evolving journey. We all need to continuously ask, "Who are our emerging leaders?" and what actions do we witness that makes them hold the title. We all should continue to define and create or recreate leadership statements that reflect commitment to guiding the industry through change, but also holding on to service levels that match client expectations.

In a world dominated by technology, and notwithstanding the thinking of some in the industry, the human touch remains indispensable in both the services we provide to clients and the development of the next generation of workers. We must continue to shake hands, learn to smile, and build social skills that strengthen both client and staff relationships. It is important to stay curious in our leadership, asking how we can be more supportive. This current

generation of Retirement TPAs seeks purpose, and with this they need coaching rather than just a leader, through forging connections, building trust, and fostering a collaborative environment that transcends generational boundaries.

AI also presents its own set of challenges, but the key is to find balance. While technology streamlines administrative tasks, the human element is irreplaceable in strategic decisionmaking, client interactions, employee education, and problem solving. It remains critical to continue to invest in both technology and human expertise to deliver a comprehensive and high-quality service to employers within their retirement plan administration.

As we navigate the changing landscape, let us collectively shape a future where Retirement TPAs not only survive but thrive. Define your leadership, collaborate with peers, stay informed, and actively contribute to the ongoing dialogue on the future of retirement plan administration.

In conclusion, the journey of Retirement Third-Party Administration is one of resilience, adaptation, and leadership. Embrace the challenges as opportunities, collaborate with fellow industry professionals, and lead with purpose. Together, we can ensure that Retirement TPAs continue to make a positive impact on the evolving retirement landscape for generations to come. ■

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