



Working with Today's Third Party Administrators (TPAs)

Market Overview,
Service and Support Programs
January, 2011

This report outlines various TPA service models, recent trends with TPA offerings by key providers including distribution and marketing strategies and our insights into the opportunities and challenges in the TPA marketplace.

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The TPA Interface model has become a significant distribution channel for providers in the small market and is continuing to gain momentum in the lower mid-market. As illustrated in the following diagram, TPAs controlled approximately one half of all new plan sales for the 2010 year and the trend is expected to continue into 2011. While half of very small plan sponsors and their advisors elect the partially unbundled TPA Interface approach when selecting a new provider, usage of a bundled approach over TPA Interface increases with plan size. The presence and percentage of TPAs offering a fully bundled solution also increases with plan size as TPAs maintain servicing of larger plans by bundling services themselves. Often these are different TPAs than those that focus their practice on the TPA Interface model.

In the \$1 million to \$10 million segment TPAs often both partner with providers in a TPA Interface model and compete with them by offering a bundled solution themselves depending on the preferences of a given plan sponsor and his advisor. For larger plans, TPAs (mostly bundling plan services themselves and with advisors), provided services for 35% of plans over \$10 million, competing directly with national providers.

Market Penetration of the TPA Service Model Estimated Impact on 2010 401(k) Sales				
Size Segment	Estimated 2010 Sales - # of Plans	Service Model		
		Bundled Provider	TPA Full Service	TPA Interface
Start-ups	18,000	45%	5%	50%
Under \$1m	23,000	50%	10%	40%
\$1m - \$5m	9,200	55%	15%	30%
\$5m - \$10m	1,700	65%	20%	15%
\$10m - \$50m	1,200	65%	30%	5%