

WHAT IS THE DIFFERENCE BETWEEN A TPA AND A RECORDKEEPER?



RESPONSIBILITIES

TPA (THIRD PARTY ADMINISTRATOR)

- » TPAs are typically responsible for the overall plan design and administration.
- » TPAs ensure the retirement plan complies with IRS and Department of Labor (DOL) regulations.
- » TPAs perform compliance testing, including non-discrimination testing, contribution limit monitoring and other tests required to maintain the plan's tax-qualified status.
- » TPAs help plan sponsors (employers) design the plan to meet their specific goals and needs.
- » TPAs often assist with plan document maintenance and updates.

RECORDKEEPER

- » Recordkeepers primarily handle the day-to-day operations and recordkeeping of the retirement plan.
- » Recordkeepers manage individual participant accounts, including processing contributions, withdrawals and distributions.
- » Recordkeepers provide access to online account management tools for plan participants.
- » Recordkeepers maintain detailed transaction records, participant statements and annual reports.
- » Recordkeepers may also offer investment options for participants, such as a selection of mutual funds or other investment vehicles.





HERITAGE

ADMINISTRATIVE SERVICES

CLIENT RELATIONSHIP

TPA (THIRD PARTY ADMINISTRATOR)

- » TPAs typically have a more consultative role and work closely with plan sponsors to design and maintain the plan.
- » TPAs provide guidance on plan design changes and regulatory compliance.
- » TPAs may offer advice on plan investments and other strategic decisions.

RECORDKEEPER

- » Recordkeepers primarily interact with plan participants and maintain individual participant accounts.
- » Recordkeepers provide customer service to participants, including assistance with account inquiries, transactions and statements.
- » Recordkeepers do not typically have a direct advisory relationship with the plan sponsor.

FIDUCIARY RESPONSIBILITIES

TPA (THIRD PARTY ADMINISTRATOR)

- » TPAs generally do not act as fiduciaries to the plan. Their role is more administrative and consultative.
- » TPAs help the plan sponsor fulfill their fiduciary duties by ensuring plan compliance and offering guidance.

RECORDKEEPER

- » Recordkeepers may or may not have fiduciary responsibilities, depending on the specific services they provide.
- » Recordkeepers has fiduciary responsibilities if they have discretion over plan investments or exercises control over plan assets.

In summary, TPAs and Recordkeepers play distinct but complementary roles in the administration of retirement plans. TPAs focus on plan design, compliance and regulatory matters, while Recordkeepers handle the day-to-day operations, participant accounts and customer service. Many retirement plans utilize both TPAs and Recordkeepers to effectively manage all aspects of the plan. It is essential for plan sponsors to understand the responsibilities of each party and ensure that they work together seamlessly to meet the needs of the plan and its participants.