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Client Onboarding

How advisers can be sure to deliver all that new partners expect.

The past few months have created unprecedented challenges for plan sponsors. They are grappling with regulatory changes such as the Coronavirus Aid, Relief and Economic Security (CARES) Act, dealing with the impact of a volatile stock market, and may be handling worker furloughs and layoffs. The strain has also turned a spotlight on their retirement plan advisers.

"This year, some businesses were in survival mode, and some were flourishing, but both were looking for the right partner to help them alleviate the stress of what was happening in the retirement space," says Jamie Greenleaf, lead adviser and principal at Cafaro Greenleaf, a OneDigital company, in Red Bank, New Jersey.

Of course, even in years without a pandemic, many plan sponsors are open to switching advisers. More than 60% evaluate their adviser at

That creates an opportunity for advisers to win new business, but it also means there is no guarantee that new clients will stick around. Key to creating long-term client relationships is having an onboarding process that makes the transition as seamless as possible, plus ensures that all client expectations get met, says Kathleen Dulko, a Certified Plan Fiduciary Advisor with Ashford Investment Advisors in Daytona Beach, Florida.

"The first 100 days of the relationships are so important," says Jeffrey M. Petrone, managing director, SageView Advisory Group in West Palm Beach, Florida. "You have to nail that. If you don't, you'll pay for it for years, and, in many cases, you'll never get the relationship to the point you could have if you'd started off better."

Given the importance of proper onboarding, SageView, three years ago, started devoting a portion of every weekly meeting to discussing clients it had signed in the past 100 days to make sure it was delivering on everything it had promised in the requests for proposals (RFP).

Customize the Process

The approach has had a demonstrable, positive impact on customer satisfaction, as measured through both third-party satisfaction surveys and anecdotal feedback. Sageview has a standard checklist for all new clients but also tweaks the list based on each individual RFP and client's needs.

The requirements of a large plan with a dedicated human resources (HR) benefits contact may differ

building its first plan. The onboarding process may also change as the relationship progresses.

"We have a blueprint, but we're also constantly looking inward to see what we can change or do better," Petrone says. "[Our] managing directors working group is constantly having those conversations and adapting to create a better experience for the customer."

These days, for example, many clients say they come to SageView specifically for the firm's participant education and financial wellness offerings, so the firm may stress starting up such initiatives as quickly as possible.

Advisers say the first step to a smooth onboarding actually takes place during the RFP process, even before the client has signed on. Getting sufficient information about the client and setting clear expectations about what your firm can realistically do—and how much that will cost—can prevent a host of issues from cropping up when onboarding starts.

Dulko says she begins creating a summary-of-terms document after reading through an initial RFP, continuing to add information from subsequent conversations with the potential client. That process quickly shows her whether the company is a good match for her firm's service offerings and whether she needs further information or clarifications from it in order to give accurate pricing estimates.

"You don't want the plan to feel like it's just been in a bait-and-switch where it had a fun salesperson

things that were promised," Dulko says. "That's an important part of the process."

Kicking Off on the Right Foot

After signing the new client, Ashford Investment Advisors presents the summary document to the plan sponsor at the kickoff meeting. The firm uses that meeting to discuss how and when the two entities will best communicate, plus to get a sense of client priorities and collect any necessary data.

"It can be frustrating when we schedule a kickoff meeting with a new client and not everyone attends," Dulko says. "So we emphasize how important it is for everyone to be there. We want everyone's input, to make sure we're all on the same page as we're starting a new relationship."

Proper Introductions

At Cafaro Greenleaf, part of the onboarding process is to introduce the entire team to the new client at the first meeting, so it knows with whom it will be working, then to call the client monthly. For the first few calls, the firm invites the plan provider to join in, Greenleaf says.

"That way we can assess whether there are any problems we need to nip in the bud," she says. "Keeping that communication process open solidifies the long-term relationship because you start to understand what the client's goals are."

Often a recordkeeper and an adviser already have a relationship, but other times they are getting to know each other, too.

vice president, adviser research and insights at Fidelity Investments in Smithfield, Rhode Island. "You just want to make sure you're not stepping on each other's toes."

To help new relationships start smoothly, Fidelity tries to build dedicated partnerships with advisers, pairing them with the same Fidelity implementation representative, so they can acclimate to each other's methods and style.

"You want to build the same positive relationship with other service providers as you do with your client to ensure that everyone works together efficiently for the ultimate benefit of the plan participants," Dulko says.

Ongoing Communication

Going forward, Greenleaf says, her firm continues to check in with the client, asking during the monthly calls whether the firm is still meeting the client's goals and expectations.

"We ask it what we can be doing better, or if it is facing challenges we can take off its plate," she says. "That's our job: to make sure we're understanding its challenges and finding areas where we can add value. We're not a financial broker who's just going to sell them something and walk away."

The most successful partnerships between an adviser and plan sponsor have clear, open lines of communication. That may require some adjustments on the adviser's part.

director of consultant relations at TIAA in New York City. “Good advisers know those nuances and set expectations as to how often the client will hear from them, and what it should reach out to them about.”

Art by Uijung Kim ⊞

Tagged: CARES Act, client satisfact, onboarding platform, RFPs

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SERVICING STRATEGIES Published in PLANADVISER November/December 2020

Expanded Plan Access

The opportunities for advisers, in pooled employer plans.

By Lee Barney

Art by Yogee Chandrasekaran

At the end of last year, all eyes were on the Setting Every Community Up for Retirement Enhancement (SECURE) Act and its authorization of a new type of retirement savings vehicle, the pooled employer plan (PEP). Although similar in structure to multiple employer plans (MEPs), PEPs are different in that they remove the common nexus

employer. They also must be administered by an approved entity, called a pooled plan provider (PPP).

As we near the end of 2020, all eyes are again on the rule, as companies release plans for their PEP offerings. PEPs may start operating this coming January 1, but their PPPs must first register with the secretary of Labor and the secretary of the Treasury at least 30 days prior, requirements having been released by the Department of Labor (DOL) in mid-November.

It is no surprise that the retirement plan industry foresees great possibilities for these plans—notably for small to midsize plans sponsors. Some insiders say they expect, in time, that many such plans will join a PEP. “PEPs won’t take over the small plan universe, but this is big,” says Pete Swisher, president of Waypoint Fiduciary in Versailles, Kentucky.

Daniel Milan, managing partner of Cornerstone Financial Services in Detroit calls the new PEPs a “game-changer” for smaller employers. “These modifications [to MEPs] are so powerful that they completely change the quality and access for small businesses in regard to offering 401(k) plans.”

To offer PEPs, advisory and consulting groups have been creating partnerships with recordkeepers and third-party administrator (TPA) firms. In August, Lockton announced plans to launch a series of PEPs, initially in the Northeast and then nationally. For the Lockton Northeast (NE) Series PEP, Transamerica will be plan recordkeeper, Pinnacle, a Northeast Professional

plan provider. Other firms have made similar announcements: The Mesirow Retirement Advisory Services (RAS) group is partnering with Newport Group to offer a new pooled employer plan next year, and Mercer plans to launch one then also, using Empower Retirement as recordkeeper.

"We view PEPs as being transformative for the industry," says Clint Carey, head of delegated investment solutions at Willis Towers Watson in Chicago. PEPs will be able to embrace innovations found only in the large-to-mega end of the market, such as retirement income solutions or guidance on financial goals throughout a worker's lifetime, Carey says. "We think this market will grow and evolve, and there will be many options among PEPs in the next few years that will allow employers to find the one that suits them best."

The Appeal of PEPs Is More Than Cost

For now, advisers can, by doing a cost-benefit analysis, help plan sponsors weigh whether to join a PEP or to remain with or launch a single defined contribution (DC) plan, says David Swallow, head of consultant relations at TIAA in New York City. "Smaller plans can potentially reduce costs, but the PEP, in order to do so, needs to achieve scale."

Cost might not be enough, however. Thomas Clark, a partner and chief operating officer (COO) with The Wagner Law Group in St. Louis, agrees that PEPs may not move the needle if sponsors and advisers focus only on cost efficiency. "We can already find cheap plans; that's not going to be the

what will make PEPs successful is if we get guidance from the DOL that makes the fiduciary footprint for plan sponsors smaller. For example, if there's an administrative error that has to go through the voluntary correction program [VCP] and plan sponsors know PPPs will pay for that in all cases. Or, for example, if PEPs minimize the monitoring-of-service-provider requirement for plan sponsors."

Potentially a larger benefit than cost, as Clark points out, is support with fiduciary obligations—a recognized plan sponsor need.

Some see PEPs as an extension of sponsors' increasing dependence on outsourcing—both of 3(38) fiduciary investment oversight and 3(16) administrative responsibilities. "I think the transition that's happening is that fiduciary duties are systematically being transferred from employers to service providers," says Swisher. "We can see that in the evolution of 3(38); we can see it in the evolution of brokers becoming fiduciaries; we can see it in the rise of 3(16)."

Sources anticipate that, as PEPs grow more common, there will be a fiduciary responsibility for sponsors to assess them—and a tremendous opportunity for advisers to guide the process.

While the pooled plan provider that oversees the PEP and registers with the DOL will take on the fiduciary duty of running the plan, Swallow says, "there is no real magic bullet" that gets sponsors completely off the hook. They bear the fiduciary responsibility of selecting the PEP and of

Aside from the benefits just examined, the increased ability to focus on one's core business may motivate many businesses to join a PEP, says Preston Traverse, a partner and chief operating officer of defined contribution and financial wellness at Mercer in Boston.

Michael Duckett, vice president at Lockton, in Washington, D.C., agrees, noting that—even putting fees and fiduciary obligations aside—many plan sponsors will view the additional few hours a week to devote to their core business instead of to plan administration as a win.

On the other hand, a company may "want to maintain control over investments and/or vendor selection," Traverse says. Advisers can help sponsors parse through this decision.

A further plus with PEPs is "there will be some flexibility for each sponsor on participation rules and vesting," Swallow says.

Traverse concurs that some customization will be possible for PEPs at the larger end of the market, but he expects the small-to-micro plans to be "cookie-cutter."

For that reason, advisers need to help plan sponsor clients decide whether they want to give up the ability to customize their plan, says Jeff Cimini, senior vice president of retirement product management at Voya in Boston.

"Some employers want to maintain control and advocate for their employees and to ensure all decisions are in their best interest," Carey

retirement plan with [their company].” That will not happen with PEPs, he says.

Waiting for Regulatory Clarity

Another factor sponsors need to consider before offering a PEP is that the DOL still “has a lot to address in terms of regulations and guidance,” says Erin Turley, a partner at McDermott Will & Emery in Dallas. “Namely, the DOL needs to address conflicts of interest and how to align the incentives.” For instance, if an investment firm or recordkeeper is the pooled plan provider or offers a bundled arrangement, that could present conflicts of interest, Turley says.

Such unknowns alone, along with the “ability of fiduciaries to select their own compensation,” could delay broad-based adoption of PEPs until 2022 or even 2023, says David Whaley, a partner at Thompson Hine LLP in Cincinnati. “The DOL’s answer to these questions will drive how PEPs get delivered.”

Turley suggests sponsors also wait for the DOL to issue guidance regarding qualification rules on PEPs.

Despite what may seem like a rush from many companies to get ahead of the upcoming deadline, like all retirement plan issues, prudence and process are important. The advice Clark gives his clients is: “It pays for advisers to be looking at product offerings right now, but don’t feel like you’re going to miss the boat by taking a deep breath and making a decision in six, 12 or 15

Tagged: MEPs, PEPs, pooled employer plans, pooled plan provider, SECURE Act

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ERISA VISTA Published in PLANADVISER November/December 2020

The DOL's Latest Proposed PTE

How advisers who only do rollovers would avoid prohibited transactions.

By Fred Reish and Joan Neri

Art by Tim Bower

ADVISER QUESTION: I'm an RIA [registered investment adviser], and a significant portion of my business results from 401(k) plan rollover advice where I provide no advice or any other services to the plan. I understand that, because

investment adviser, this rollover advice could result in a prohibited transaction. What steps would I need to take to comply with the DOL's recent proposed exemption so I can avoid a prohibited transaction?

ANSWER: The proposed exemption requires satisfaction of a number of conditions, some of which mirror the conditions of the best interest contract (BIC) exemption that was part of the vacated fiduciary rule. However, there are some new requirements that will necessitate changes to your policies and procedures if the proposed exemption is finalized as currently written.

In our previous column, we explained that, under the DOL's new interpretation of "regular basis" under the fiduciary advice five-part test, rollover advice will typically result in a prohibited transaction, even if you have no pre-existing financial advice relationship with the participant. You could then rely on the proposed exemption, if it is finalized, to receive the otherwise prohibited compensation—i.e., the individual retirement account (IRA) advisory fee.

The proposed exemption consists of three principal conditions: a standard of care—i.e., the "impartial conduct standards"; policies and procedures to ensure compliance and an annual review obligation; and a disclosure obligation.

The impartial conduct standards would require: 1) satisfying a best interest standard of care, which mirrors the Employee Retirement Security Act (ERISA) prudence standard and duty of loyalty; 2) receiving no more than reasonable compensation;

an ERISA fiduciary to clients, you are already subject to these standards. However, this standard will be new if you become an ERISA fiduciary as a result of the DOL's expanded interpretation of regular basis.

For rollover advice, in order to satisfy this standard, you would need to consider all relevant factors, including the plan investments and the investments available in the proposed IRA; the different levels of services; and the fees and expenses associated with both the existing plan and the IRA, such as whether the employer pays for some of the plan's expenses. You would then need to evaluate those factors to determine whether recommending a rollover is appropriate based on the participant's investment objectives, financial circumstances and needs. We note that the Securities and Exchange Commission (SEC)'s best interest standard would require a similar process. (See "SEC's Position on Rollovers," PLANADVISER, November–December 2018).

Under the proposed exemption, you would also need to document the specific reasons why the rollover recommendation is in the participant's best interest.

Further, your policies and procedures would need to be designed to ensure compliance with these standards and to address mitigation of conflicts of interest. The proposed exemption specifically requires that the firm mitigate conflicts of interests by prudently designing policies and procedures and incentive practices to avoid misalignment of the firm's and its advisers' interests with those of

annually of its compliance with these standards and to detect and prevent violations. This review would need to be documented in a written report and certified by the CEO or equivalent officer.

A written disclosure would need to be provided to the participant prior to engaging in the IRA rollover. The disclosure would need to affirm your fiduciary status and provide a description of your services and of any conflicts of interest. The proposed exemption also affords relief to advisers who serve as fiduciaries.

At this point, we don't know whether the proposed exemption will be adopted in its present form. Until the finalization, an adviser can use a DOL and IRS nonenforcement policy (Field Assistance Bulletin 2018-02) if the impartial conduct standards are satisfied. Note that this policy does not protect against private rights of actions under ERISA. That said, for risk management purposes, advisers should consider complying with the impartial conduct standards when giving rollover advice, and they should review and update, as needed, their policies and procedures to promote compliance.

Fred Reish *is chairman of the financial services ERISA practice at law firm Faegre Drinker Biddle & Reath LLP.* ***Joan Neri****, a nationally recognized expert in employee benefits law, is counsel in the firm's financial services ERISA practice, where she focuses on all aspects of ERISA compliance affecting registered investment advisers and other plan service providers.*

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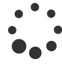

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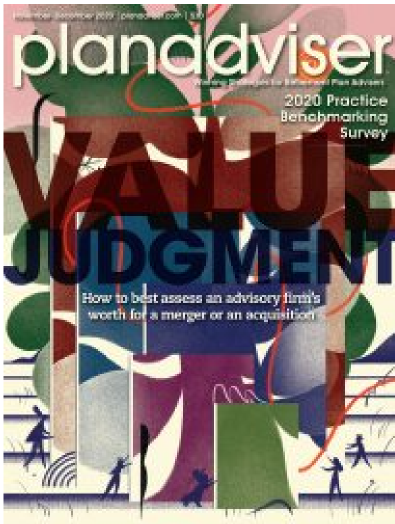

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