

# The Pension Specialists, Ltd. (TPS) Retirement Plan Third Party Administrator

## Service Pricing Philosophies

### **TPS pricing mission:**

“To provide aggressively competitive pricing while maintaining high quality service.”

### **TPS pricing goal:**

“To provide the high quality service our clients desire at the lowest possible price.” Revenues must be enough to provide quality staff and to give the staff the resources needed to deliver high quality service. Revenues must provide resources to improve service through the addition of technological advances and system enhancements. Our clients will be those that are focused on value. They will seek quality pro-active advice and attentive responsive service, as opposed to the lowest possible price.

### **Pricing strategy:**

“To custom price each client’s service to assure the client is paying the lowest price for the service provided, while maximizing the net value each client receives.”

### **Comparing the competition:**

#### *Straight hourly rate method.*

Clients don’t like this “open check book” approach. Actual fees usually end up far exceeding quotes. Clients pay for the inefficiency of the service provider. Clients don’t like bad surprises. Clients are forced to haggle over fees.

#### *Base fee plus a per participant fee method.*

Price becomes excessive as the number of plan participant’s increases. Counting is troublesome. Clients needing excess service pay too little, non-demanding clients pay too much. “Efficient Clients” subsidize “inefficient clients.”

### **The TPS customized pricing model:**

TPS closely reviews its role in each engagement. Major pricing factors include: 1.) The services and service level the Client desires. 2.) The ability of the Client’s staff to support TPS. 3.) The Client’s ability to use technology. 4.) The ability of the Client’s investment Broker to support TPS 5.) The ability of the client’s Investment Company to support TPS. The more support we receive, the lower the price.

Using these factors we develop an annual base fee using hourly rates from \$60.00 to \$150.00 per hour. The more hours anticipated, the less is charged per hour (Similar to a volume discount). The base fee quote is guaranteed. The base fee is increased annually by a factor of 2.5% to 5% to reflect increasing costs. Client base fees are often reviewed and decreased, as the relationship becomes more efficient. Clients with complex plans requiring high service, with little ability to provide support or use technology, using inexperienced Brokers and convoluted investment plans will pay more. We are proud that we rarely receive complaints or requests for billing adjustments or decreases.

**Pricing estimate examples:**

- a) A one time non-repeat two hour service will be billed \$300.00
- b) A one time non-repeat ten hour service will be billed \$1,250.00
- c) An ongoing engagement requiring five hours per year will be billed \$500.00
- d) An on going engagement requiring ten hours per year will b billed \$800.00
- e) An ongoing engagement requiring twenty hours per year will be billed \$1,500.00
- f) An ongoing engagement requiring forty house per year will be billed \$2,800.00
- g) An ongoing engagement requiring eighty hours per year will be billed \$4,800.00

**The TPS base fee versus additional TPS fees:**

The TPS base fee is intended to cover all of the costs of measurable and standard plan processing tasks. This includes processing, verifying and proofing remittances, preparing periodic plan valuations, processing participant enrollments, processing employee participation election changes, and preparation of periodic management, participant and government agency reports. Additional TPS fees are intended to cover non-measurable, unanticipated and non-standard administrative tasks that may arise. All of these additional services are clearly identified in our “Client Engagement Letter.” The more common additional tasks are distributions, loan applications, loan maintenance, hardship withdrawals, and IRS forms 945 and 1099R. Most additional services are billed out at a flat fee for the task while more complex additional services are billed hourly at rates ranging from \$60.00 to \$150.00 per hour.

**Employer paid additional services fee examples:** **Price**

|  |                    |
|--|--------------------|
| Distributions (Defined Compensation & Defined Benefits)                        | \$58.00 – \$135.00 |
| Hardship distribution  | \$125.00           |
| In-service distribution  | \$50.00            |
| Qualified domestic relations order (QDRO) distribution                         | \$50.00            |
| (QDRO) adjudication. TPS arranges with outside counsel<br>(By outside counsel) | \$150.00           |
| Plan amendment including SPD and notice  | \$150.00           |

**Employee paid additional services fee examples:** **Price**

|   |                          |
|---|--------------------------|
| Loan application                                      | \$125.00                 |
| Loan administration billed for each month outstanding | \$6.25/month outstanding |

Fees listed above are for example only. Fees may be changed at any time. Please refer to a Specimen or Actual Client Engagement Letter for more information about billing.