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Retirement Plan Newsletter | Q2 2026: TPA vs. Recordkeeper: Understanding the Key Roles Behind Your 401(k)

Michael R. Maguire, CFP®, ChFC®, RICP® – Financial Advisor

As an employer sponsoring a 401(k) plan, you work with several service providers to help keep the plan running smoothly. Two of the most important are the third-party administrator, often called the TPA, and the recordkeeper.

The distinction between these roles can sometimes be confusing because both are involved in plan operations. However, they generally serve different functions. Understanding the distinction can help you ask better questions, reduce administrative errors, and make sure your retirement plan is being managed effectively.

WHAT DOES THE RECORDKEEPER DO?

The recordkeeper is typically responsible for maintaining participant-level account information. In practical terms, the recordkeeper tracks the money going into and out of each employee's 401(k) account.

This usually includes:

- Participant account balances
- Employee deferral elections
- Investment selections
- Contributions and distributions
- Loan and withdrawal processing
- Participant website access
- Quarterly statements
- Required participant notices and disclosures, depending on the service arrangement

The recordkeeper is often the provider employees interact with most directly. When an employee logs in to check their balance, change investments, increase contributions, request a loan, or update a beneficiary, they are usually using the recordkeeper's platform.

WHAT DOES THE TPA DO?

The TPA is generally focused on the technical administration and compliance side of the plan. While the recordkeeper tracks participant accounts, the TPA helps ensure the plan is operating according to the plan document and applicable retirement plan rules.

A TPA may assist with:

- Plan document support
- Eligibility calculations
- Employer contribution allocations
- Nondiscrimination testing
- Top-heavy testing
- Form 5500 preparation
- Year-end census review
- Compliance corrections
- Plan amendments
- Controlled group and ownership questions

The TPA's work is often less visible to employees but highly important for the employer. A strong TPA can help identify issues before they become costly errors.

WHY THE DISTINCTION MATTERS

Many 401(k) problems occur when responsibilities are unclear. For example, an employer may assume the recordkeeper is confirming employee eligibility, while the recordkeeper may assume the employer or TPA is responsible. Similarly, payroll may calculate compensation one way, while the plan document defines eligible compensation differently.

These gaps can lead to issues such as:

- Missed employee eligibility
- Incorrect employer match calculations
- Late or inaccurate contributions
- Failed compliance testing
- Incorrect compensation used for contributions

- Plan operations that do not match the written plan document

Understanding who does what helps employers create a cleaner process and avoid unnecessary surprises.

THE ADVISOR'S ROLE

As financial advisors, we often help employers understand how these service providers fit together. While we do not replace the TPA or recordkeeper, we can help coordinate conversations, review plan service arrangements, identify potential gaps, and ensure that the plan's design supports the company's goals. For employers, the objective is not just to have service providers in place. The goal is to have a coordinated team where each provider understands its role and communicates effectively with the others.

Grimes & Company has a dedicated team that specializes in providing investment advisory services to retirement plan fiduciaries and their employees. We assist clients with investment selection and monitoring, fee benchmarking, plan design and employee education, so please reach out with any questions as to how we can help you achieve your goals.