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**Human Resource Management for TPAs
Advanced Topics**

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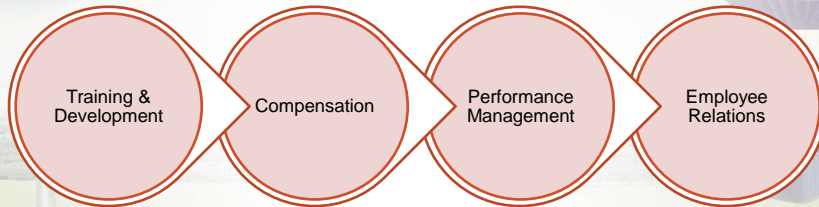
Charan Singh, APA is VP, National DB Operations Manager at United Retirement Plan Consultants in Los Angeles. A veteran of over 15 years in the pension industry, prior to United Retirement, Charan was Vice President and Operations Manager at Union Bank (TruSource), Pension Consultant at Kravitz, and Chief Operations Officer at Cache Pension Services where he lead a total overhaul of operations over 15 months that resulted in a successful sale of the company. At United Retirement, Charan successfully led a multi-year, intra-company effort to reorganize operations along functional lines that led to improved productivity, boosted morale, and improved client retention. Charan specializes in building customer-centric operations processes, and training customer friendly pension administrators with top-notch consulting skills.



Strategic HRM - Scope of Advanced Topics (Afternoon Session)

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Training Linked to Organizational Needs

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Training Needs Assessment

- **Organization Analysis**
 - Strategy
 - Resources
 - Management support
- **Person Analysis**
 - Performance deficiencies: KSAs
 - Who needs it?
 - Are employees ready?
- **Task Analysis**
 - Ask the Subject Matter Expert for feedback
 - Ask your lowest performing or lowest experienced employees for feedback

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Planning the Training Program

- **Objectives**
 - What are you trying to achieve?
 - Is there a measurable set of characteristics that will “get better” after the training?
 - A short bullet point list will do to narrow your focus.
- **In-house or Contracted Out**
 - Many training experiences bundle in with various compliance software packages, and also web-based packages available
- **Choice of Training Methods**
 - Presentations: lectures, workbooks, video clips
 - Hands-on: On the job training, simulations
 - Group-building: Group discussions, experiential, team training

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On the Job Training - OJT

- Most important component of Pension Administration training
- **Best practices for OJT:**
 - Have a policy statement
 - Make someone accountable for conducting OJT (point-person)
 - Review OJT practices at peer companies
 - Train Managers and Peers in OJT principles
 - Have all involved access to checklists, procedures, manuals, etc.
 - Assess basic skills before conducting OJT

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Team Training

- Group members share information
- Cross Training
 - Learn and understand each others skills so people can help each other out during crunch time
- Coordination Training
 - How to share information and decisions to obtain the best performance
- Team Leader Training
 - Teaching team leaders how to resolve conflicts and coordinate activities

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Case Study 1 – Training Plan

- JK TPA
 - Founded by Jay and Kaye in 1985
 - 23 employees
 - 7 senior administrators – worked with the founders since early 1990s
 - 3 retiring in the next two years
 - 12 junior- to mid-level administrators, 4 of these are new to the industry
 - Utilizes software packages:
 - ASC for DC work
 - Datair for DB vals
 - Relius for documents – PPA restatements in progress
 - Ft William for Government Forms
 - Plan a training program for the company using the tools described before.

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Measuring Results of Training

- **Measures of Success**
 - Trainee satisfaction
 - Transfer of training
 - Return on Investment
 - Performance Improvement
 - New skills and knowledge
- **Evaluation Methods**
 - Survey
 - Measurable change in output

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Compensation

Understand the components of **Pay Structure**:

Job Structure

- Different levels of jobs
- Junior, Middle, Senior
- Analyst 1, Analyst II, Analyst III

Pay Level

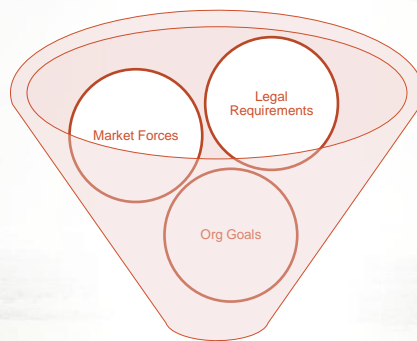
- Average amount paid for each job structure level

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Pay Structure



Pay Level Decision

- Pay rates, grades
- Pay ranges, differentials

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Job Structure Example – Relative Value of “Compensable Factors”

Job Title	Experience	Education	Complexity	Total
Enrolled Actuary	100	100	100	300
Senior Analyst	70	60	90	220
Mid-level Analyst	60	45	75	180
Entry-level Analyst	50	30	40	120
Trust Accounting Specialist	25	20	25	70

Pay Grades, Ranges, and Differentials

- **Pay grades** – more relevant to large organizations
- **Pay Range** – good way to having flexibility in setting pay for jobs
 - Establish minimum, maximum, mid-point
 - Overlaps between specific jobs
 - More overlap = less need for “promotions” and still allow for pay raises
 - Less overlap = more frequent need for promotion in order to get raises
- **Pay Differential** – Traditionally in production line “shift differential”

Skills Based Pay Systems

- A way to reward employees on their acquisition of knowledge and skills
 - Empower employees to add to their knowledge
 - More flexible and innovative
 - Increases the climate of learning and adaptability
 - Contrarian view – paying for learning but not for applying what you learned

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Actual Pay vs. Pay Structure

- “Start measuring what you want accomplished”
- **Use Compa-Ratio:**
 - **Average Actual Pay** of Employees within a **Pay Grade**
 - Compare to mid-point of **Pay Structure**
 - **Compa-Ratio = Average/mid-point**
 - Ideal Compa-Ratio = 1

Employee	Monthly Salary
Joe	\$3,500
Rita	\$3,750
Sally	\$4,250
Average	\$3,833
Mid-point of Pay Grade (HR Manual)	\$3,750

Compa-Ratio
= 3,833/3,750
= 1.02

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Compa-Ratio Uses

- Compa-Ratio > 1
 - Company is paying more than planned for the positions and may have difficulty keeping costs under control
- Compa-Ratio < 1
 - Company is underpaying for resources relative to targets
 - May have difficulty attracting and retaining quality talent

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Incentive Based Pay

- Forms of pay linked to employee's or group performance:
 - Performance measures linked to organizational goals
 - Employees believe they can meet the standards
 - Organization gives employees the resources and support to meet their goals
 - Employees value the rewards given
 - Employees believe the reward system is fair
 - Take into account status of goals that are not explicitly rewarded

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Merit Pay

- Link pay increases to performance appraisals
- Use of compa-ratio to reward lower paid high performers in a higher proportion
 - Compa-Ratio = Individual's Pay/Midpoint of salary range

Performance Rating	Compa-Ratio		
	80%-90%	91%-110%	111%-120%
Exceeds Expectations	7%	5%	3%
Meets Expectations	4%	3%	2%
Below Expectations	2%	--	--

Performance Bonuses

- Great **flexibility** to organization
- Reward for **specific** behaviors and performance results
- Spot bonuses vs. annual performance-based bonuses?
- Sales commissions
 - Straight commission plans
 - Percentage of sales
 - Debate over salaried vs. straight commissioned salespersons
 - Who is more effective at closing sales?
 - Who is more effective at developing long-term customer goodwill?

Pay for Company Performance

- Profit Sharing
- Stock Ownership
 - Stock Options
 - ESOPs
- Incentive Pay for Executives/Managers

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Performance Management



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Criteria for Effective Performance Management

- **Fit with strategy**
 - Achieve employee behavior and attitudes that support company strategy, goals and culture
- **Validity**
 - Measuring relevant aspects and omit irrelevant aspects
- **Reliability**
 - Consistency of the results that the measure will deliver
- **Acceptability**
 - Practical standard of being acceptable (fairness, time commitment)
- **Specific Feedback**
 - What is expected and how to meet expectations

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Methods of Measurement

Simple Ranking

- Requires managers to rank employees in their group from the highest performer to the poorest performer.

Forced Distribution

- Assigns a certain percentage of employees to each category in a set of categories.

Paired Comparison

- Compares each employee with each other employee to establish rankings.

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Graphic Rating Scale

The following areas of performance are significant to most positions. Indicate your assessment of performance on each dimension by circling the appropriate rating.

PERFORMANCE DIMENSION	RATING				
	DISTINGUISHED	EXCELLENT	COMMENDABLE	ADEQUATE	POOR
Knowledge	5	4	3	2	1
Communication	5	4	3	2	1
Judgment	5	4	3	2	1
Managerial skill	5	4	3	2	1
Quality performance	5	4	3	2	1
Teamwork	5	4	3	2	1
Interpersonal skills	5	4	3	2	1
Initiative	5	4	3	2	1
Creativity	5	4	3	2	1
Problem solving	5	4	3	2	1

Giving Performance Feedback

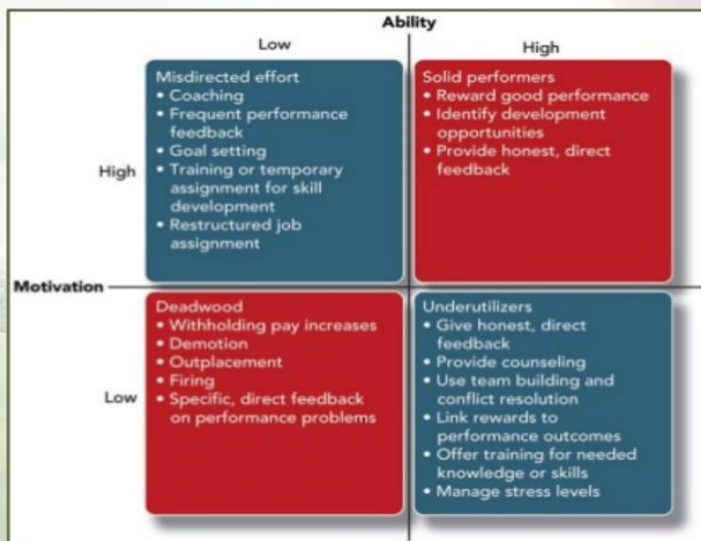
- **Scheduling Performance Feedback**
 - Regular, expected, management activity
 - Annual is not enough
 - Managers responsible for correcting deficiencies as soon as they occur
 - Employees are motivated by regular, direct/candid feedback
 - Quarterly - recommended
- **Preparing for a Feedback Session**
 - Create the right setting
 - Neutral location – conference room
 - Discussion of role of employee, of manager and relationship between the two – open dialogue
 - Managers should be well prepared and encourage employees to self assess using the same assessment rubric

Conducting the Feedback Session

Focus on behavior and not on personalities

- **Tell-and-sell Approach**
 - Managers tell the ratings
 - Managers justify the ratings
- **Tell-and-listen Approach**
 - Managers tell the ratings
 - Let the employee explain their side of the story
- **Problem-solving Approach**
 - Manager and employee work together
 - Solve performance problems
 - Atmosphere of respect and encouragement
 - Considered the superior approach

Ability-Motivation Grid



Manager's Performance

Resourcefulness	Can think strategically, engage in flexible problem solving, and work effectively with higher management.
Doing whatever it takes	Has perseverance and focus in the face of obstacles.
Being a quick study	Quickly masters new technical and business knowledge.
Building and mending relationships	Knows how to build and maintain working relationships with co-workers and external parties.
Leading subordinates	Delegates to subordinates effectively, broadens their opportunities, and acts with fairness toward them.
Compassion and sensitivity	Shows genuine interest in others and sensitivity to subordinates' needs.
Straightforwardness and composure	Is honorable and steadfast.
Setting a developmental climate	Provides a challenging climate to encourage subordinates' development.
Confronting problem subordinates	Acts decisively and fairly when dealing with problem subordinates.
Team orientation	Accomplishes tasks through managing others.
Balance between personal life and work	Balances work priorities with personal life so that neither is neglected.
Decisiveness	Prefers quick and approximate actions to slow and precise ones in many management situations.
Self-awareness	Has an accurate picture of strengths and weaknesses and is willing to improve.
Hiring talented staff	Hires talented people for the team.
Putting people at ease	Displays warmth and a good sense of humor.
Acting with flexibility	Can behave in ways that are often seen as opposites.

SOURCE: Adapted with permission from C. D. McCauley, M. M. Lombardo, and C. J. Usher, "Diagnosing Management Development Needs: An Instrument Based on How Managers Develop," *Journal of Management* 15 (1989), pp. 389-403.

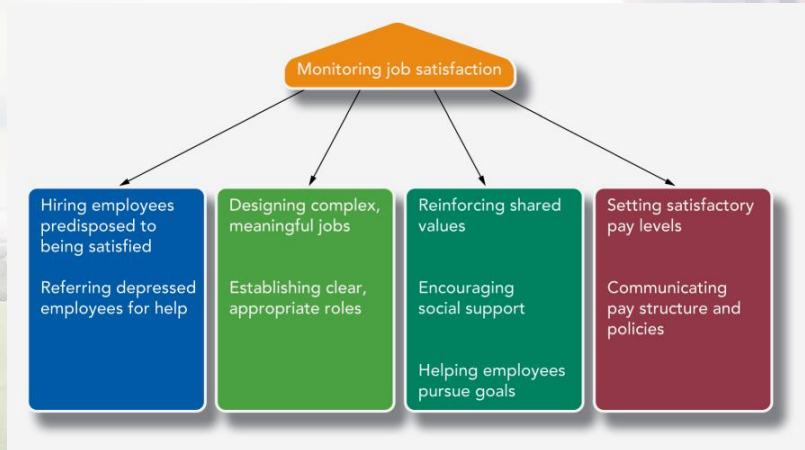
Case 2 – Pension Administrator Performance Plan

JK TPA is developing a performance plan for its new entry level Pension Administrator position.

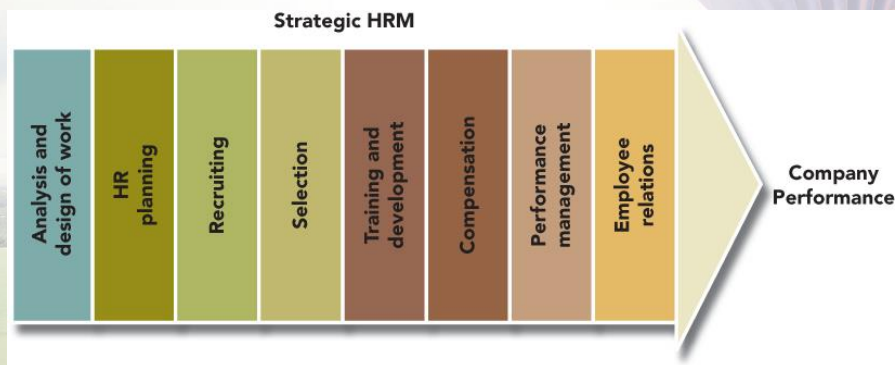
Use the **graphic rating scale** to develop a performance plan:

- Balances customer retention/satisfaction along with
- Employee learning - as the entry level administrator acquires more knowledge to better serve the needs of the customers
- No more than three performance measures to keep it simple.

Job Satisfaction



Conclusion and Summary



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