NTSAA's Journey
From Then to Now

BY STEVEN SULLIVAN

NTSAA will celebrate its 25-year journey from a handful of advisors to more than 3,300 members. Let's get a head start by looking at how far we've come.

Back in the day, things were a lot less formal.

"Ed Crawford and I were standing in the lobby of a hotel in Phoenix at the first meeting of the actual association," says Joe Kelly, first president of the National Tax Sheltered Accounts Association (NTSAA). "Ed says, 'Somebody's got to be president.' I said, 'I don't want to be president.' Ed says, 'I don't either, let's flip a coin.' So I lost the toss and became the first president."

That's pretty much the way Crawford, NTSAA's second president, remembers it, too.

"Joe Kelly says, 'We need a president, why don't you be president, Ed?' I said, 'No, no, Joe, you be president.' So we flipped a coin and Joe won. And he really thought he lost. So Joe agreed to be president, but he said, 'You need to be the next president, Ed.' So I said 'okay, I'll be the next president.'"

Once they got past the reverse Alfonse and Gaston routine,an organization was born — one that, 25 years later, includes more than 3,300 members and has a budget of more than $500,000.

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> *— Jerry Adzima*

But before that, there was a little meeting in Arizona with a few big producers who worked for a life insurance company called SAFECO. But these weren't just any producers. These were the folks who sold tax-sheltered annuities in this weird market called 403(b).

That was the key. Until then, most 403(b) advisors, if they went to meetings at all, had to go to life insurance meetings where nobody really knew what they did.

"When we went to these insurance company conventions there was very little if anything about tax-deferred annuities," says Ed Margolis, one of NTSAA's founders. "Those of us in the 403(b) business who qualified for these conferences felt like second-class citizens."

For Jerry Adzima, one of the original organizers of the initial SAFECO meeting, being in a room with a bunch of people who actually "spoke 403(b)" — who didn't need a cheat sheet to understand his business, where 403(b) was the main event and not a sideshow — was a liberating experience. It was a place to instantly connect with others, to talk about what they do and how they do it, about the rules and regulations, the techniques and methods. And how not to be the guy who jumps out of dumpsters and surprises teachers in the parking lot.

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> ***— Ed Margolis***

"There actually was a guy who did that," Adzima says ruefully. Professionalism was a big part of the early meetings.

So was an arcane rule called the "maximum exclusion allowance," or MEA.

"That was one ugly formula," recalls Joanne Henderson, "and every company had a different take on it." Henderson also worked for SAFECO, doing 403(b) administration; Adzima was head of marketing. They spent a lot of time puzzling over how to calculate the MEA, and wondering why the IRS who came up with the rule was so unhelpful when it came to doing the actual math.

"Calculating it was really was more of an art than a science," Adzima says.

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> ***— Frank Owen***

"Every company had a different way of calculating it, and by God each way was the *only* way to do it. Each was using it as a competitive advantage. And the IRS ignored it until about 10 years ago. So our question was, what difference does it make what your product is when it comes to calculating the MEA? How can we get the universe to agree on an MEA calculation?"

What was called for, they decided, was a meeting of 403(b) experts, both field marketers and home office technicians, who could put their heads together and work out the problem — along with any other topics that might come up.

So they met at the Fountain Suites hotel in a place called Fountain Hills near Phoenix. There were no breakout sessions or seminars or roundtables; just a couple days of general sessions, some technical, some more marketing oriented. Most, if not all, of the attendees were SAFECO agents. The few who weren't were skeptical of the whole deal, seeing it as a SAFECO attempt to recruit the agents who attended.

"No one could believe that our motives were altruistic," says Adzima. "The 403(b) business was in a shambles from a knowledge standpoint. Half the time at that first meeting was spent on the MEA calculation. It was enough to grease the skids, but trust doesn't come just from showing up. It comes from working with each other."

It was at the second meeting in 1989, held at the same place, that the idea of forming an association was floated. The hope was that it would help dispel the perception of the meeting being a recruitment tool. Jerry Adzima and Joanne Henderson — with the help of people like Ed Crawford, Joe Kelly, and Ed Margolis in Pennsylvania — put together some workshops and instituted the system of roundtable discussions that persists to this day. They also asked Ellie Lowder, national sales director for qualified annuities at Transamerica and one of the few women in the 403(b) business at that time, to be keynote speaker.

"I talked about the marketplace in general, and my belief in the importance of building a quality organization for the 403(b) market," Lowder recalls. "I was so excited at the idea that we were finally developing an organization that spoke our language. I knew that the complexities of the 403(b) and later 457 marketplace were such that we desperately needed an organization where people could gather, not only to learn from their peers but to be educated by experts, and devoted to increasing competency and ethics in the marketplace."

In order to officially become the National Tax Sheltered Annuities Association, however, they would have to jump through a few legal hoops. In 1992, Joe Kelly, based in Detroit, engaged a local attorney who was experienced in setting up associations. Because Michigan was the attorney's area of expertise, that was where NTSAA was incorporated.

"When NTSAA was first organized, it was extremely important to the field reps that the organization be their own and not run by the companies," says Joanne Henderson. "To be a board member (nine members with three-year terms) you had to be a selling rep voted in by the membership at large."

Separating the association's identity from the companies that employed its members, though, proved to be easier said than done. For one thing, it was the companies that had the money to provide the benefits members were accustomed to from those lavish life insurance meetings. Company involvement was good for attendance in other ways, too.

"The first few years were torturous

because we had to overcome the company thing," says Adzima. "But when companies joined, you'd typically see a surge because they'd announce it to their employees. The senior marketing guy from Company A comes to the meeting for a couple of years, sees it's not a marketing sham for Companies B and C but a legitimate educational association. So he goes back and gets it in his budget and sends an email to his people. It happens in surges."

So NTSAA created the Industry Council in 1999, which consisted of five members voted in by the company reps. A few years later the board voted to award two voting seats to the Industry Council, increasing the board to 11.

Networking and Education

They always took care to keep their winter meetings in warm, sunny places — Arizona, Florida, California, Louisiana, Mississippi — for obvious reasons. The meetings were heavily geared toward networking and swapping information that could be useful back home. The roundtable setup (think "speed dating" for 403(b) reps) became a valuable tool.

"We couldn't have just one person get up and talk for an hour about how to be successful," says Crawford. "So we formed about six tables. One person at each table would talk for 15 minutes about what he does, then we'd all switch tables. We did that until everybody had a chance to hear the speaker at each table. That turned out to be a great success. Then at the cocktail party that evening you could follow up for more information if you wanted to."

"Ed Crawford and I joined forces on several things that became very successful for both of us as a result of those roundtables," Joe Kelly recalls. "From one of them we developed a business that took a simple idea and solved a very big problem that changed our whole industry. We saved school districts and colleges millions of dollars over the years."

But networking wasn't the only thing going on at NTSAA' s meetings. The education and regulatory elements made some serious contributions to the industry as well. In 1996 they developed a designation program to improve the level of education and professionalism in the industry. A year later the association hired Ellie Lowder and Kristi Cook as technical consultants, and they produced the first edition of *The Source,* outlining everything 403(b) professionals needed to know about their business. It's now in its fourth edition.

In 1999, NTSAA developed its first mission statement: "NTSAA unites leading retirement planning practitioners and product/service providers who are committed to helping clients achieve their financial objectives. The Association enhances the growth, development, and professionalism of the Membership through information exchange, education, and promotion of quality service to the 403(b)-eligible marketplace." And in 2000, the board changed the "annuities" in the association's name to "accounts," reflecting the expanded range of products that became available to 403(b) participants.

Game Change

Membership grew, but never reached much above 1,000. Corporate participation helped keep member dues down, but there never seemed to be enough money to do as much as the association wanted to accomplish, such as establishing a lobbying voice in Washington and in state legislatures around the country.

Then, in 2007, the world of 403(b) changed. Gone were the days when employers just allowed advisors access to their employees and pretty much stayed out of the resulting relationship. Proposed IRS regulations would make 403(b) plans look more like 401(k) plans, requiring sponsors to have a written plan and take far more responsibility for the retirement programs of their employees. That responsibility caused the market to act in ways it never had before — sometimes to the benefit of the advisors, but not always.

The changes took NTSAA and the 403(b) industry by surprise. As they

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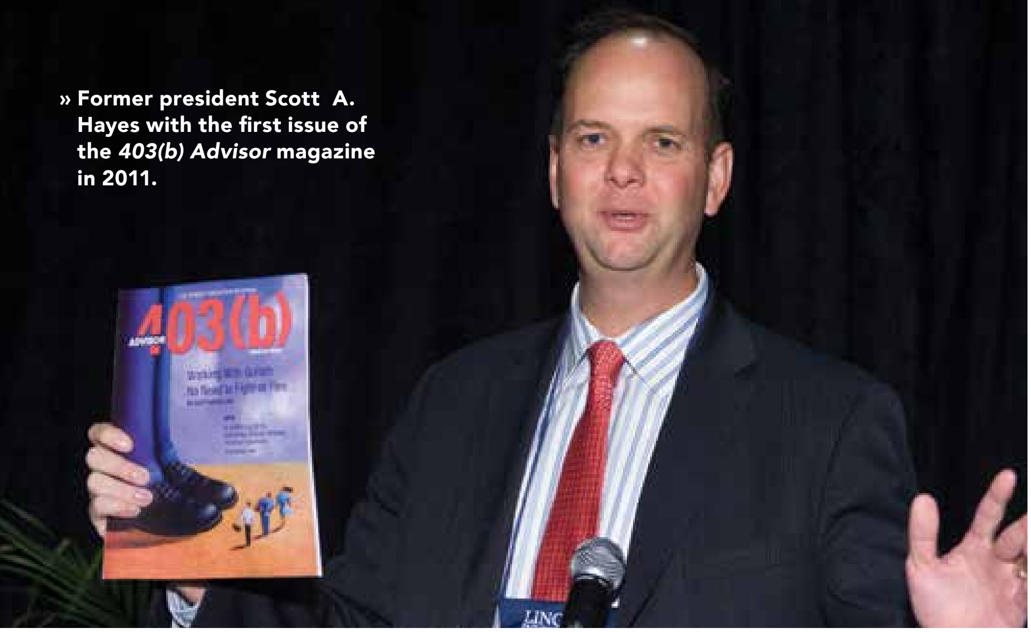

» Former president Scott A. Hayes with the first issue of the *403(b) Advisor* magazine in 2011.

struggled to keep up with the new compliance rules and anticipate what the final regulations would look like, they realized they needed to change the way NTSAA did business.

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> **— Ellie Lowder**

"The new regulations just destroyed our world," says Frank Owen, who was on the Board at the time. "We came to the conclusion that was because we were behind the curve and not in front of it. Advocacy was the only way we could influence future debates."

The NTSAA Board formed a committee to explore the idea of merging with another organization, one with an already established presence in Washington and a track record of effective influence. In addition, the designation program they'd established in 1996 was floundering. They needed to hook up with an organization that could provide the educational resources 403(b) advisors needed to navigate the new landscape.

After flirting with several powerful life insurance organizations, NTSAA once again affirmed its original founding premise: they weren't life insurance people, they were 403(b) people. If they were going to affiliate, they needed to make sure their new partner shared the same DNA. The American Society of Pension Professionals & Actuaries (ASPPA) seemed to fit the bill.

In 2009 NTSAA put the proposed merger to a vote of the membership. Two-thirds of the members cast their ballots; 98% of them voted in favor of the merger. Chris DeGrassi, who was president at the time, conducted the negotiations.

"The biggest concern some of our members had was that we'd lose our identity if we merged," says Owen. "Those of us who were in favor of the merger said that you lose your identity only if you refuse to be involved or if you no longer exist. Well, if we do nothing we'll no longer exist, and if you don't get involved we deserve to lose our identity."

Though the merger was not without controversy, things undeniably began to move. NTSAA members were able to access the Tax Exempt & Governmental Plan Administration (TGPA) certificate and the Tax Exempt & Governmental Plan Consultant (TGPC) credential. As of this writing, 218 advisors have earned the TGPC, with 26 currently in the pipeline; 625 403(b) professionals have received the TGPA, with 32 still in the program.

In 2010 the association began planning *403(b) Advisor,* the only magazine for 403(b) and 457 professionals, which it launched the next year. In 2011, NTSAA inaugurated its first grassroots campaign, "Save My 403(b)," to keep members apprised of the numerous assaults against the business at the state level and offering them an opportunity to participate. And in 2012, NTSAA initiated the Strategic Partners program, with a current roster of 15.

"Rather than just reporting on what's been happening in the regulatory world and the industry, we're now talking about what we're doing and how we're shaping things from a policy standpoint," says Chris DeGrassi, who became NTSAA's executive director in 2012. "It changes the fundamental nature of how we engage our members and what activity we expect from them. It's one thing to report on what the IRS did, another to reframe a policy issue, get support, and seek an objective."

The biggest regulatory hotspot for NTSAA is the definition and application of fiduciary, how it applies to non-ERISA plans and IRAs, and what it means for the broker/dealer and advisor community.

"The DOL intends to issue regulations early in 2014," says DeGrassi. "There's a significant amount of coordination between the DOL and the SEC to determine what it will look like. It's possible the DOL will try to push through a model fiduciary regulation that will affect non-ERISA retirement plans including IRAs in 2013. Certainly preventing those rules from taking effect until we have a more rational policy is something that NTSAA and ASPPA are engaged in. And we do feel we're being heard."

NTSAA has been acting aggressively at the federal level to shape the issue of tax reform, and at the state level to combat the trend toward consolidation. It's worked closely to help reopen Iowa's state DC plan to additional providers and increased competition — a state that was held up as a model for consolidators. The market is scheduled to reopen early in 2014.

« A workshop from the NTSAA 403(b) Advisor SUMMIT in 2012.

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NTSAA is also supporting and sponsoring legislation in two other states, one that proposes a 403(b) with local choice as the state's DC model, and another that's moving forward around transparency and disclosure.

"We fought off some rather significant threats last year in Illinois, Ohio, and North Carolina again," says DeGrassi. "And we're being proactive in Virginia, helping them implement a hybrid retirement plan so what they do won't disrupt the local 403(b) and 457 plans. We've built a relationship there and helped them understand that there are issues around what the state has done at the local level. We've become an expert resource guiding them on the implementation."

Happy 25th!

NTSAA will celebrate its 25th anniversary in 2014, with the big celebration at the 2014 NTSAA SUMMIT, June 22–24 in Washington, DC. It will use the opportunity to roll out several new initiatives. At the top of the list is the "Top 100 403(b) Advisors" program that will honor the advisors who have helped shape best practices in serving clients in the 403(b) marketplace. The candidates are nominated by NTSAA's strategic partners and members, and the winners will be selected by a review committee.

Though *403(b) Advisor* will be retiring in 2013, it will be replaced by a weekly electronic magazine that will focus on practice management, compliance, analysis and opinion, as well as developments inside the industry and news from state capitals. In addition, a completely redesigned website will house a comprehensive resource center and incorporate NTSAA's grassroots workhorse, Save My 403(b).

Meanwhile, NTSAA continues to grow. "We expect to have more than 20 industry partners as we go into 2014," says DeGrassi. "We started by growing our program with full-service investment providers and distribution organizations. We're now expanding our outreach to professional organizations, TPAs, law firms, consultants, and defined contribution investment-only firms, which is reaching out to the mutual fund community."

NTSAA is clearly playing in a whole new league, one the original founders could only dream of. "As long as there's a 403(b) industry, there's always a need for NTSAA," says Ed Margolis. "Since our merger with ASPPA I think we've gained a lot more credibility. It was a good move. It's a great industry, there are a lot of good people in it, and it needs the independent voice that NTSAA provides."

Still, Jerry Adzima sees a certain irony in how different the current structure is from the group that worked hard to distance itself from the companies.

"It wasn't as obvious an idea as it may seem now," he says. "Those early leaders and reps took it on as a labor of love. No company or company personality could have made this organization exist. It was only through their unifying vision of a central place to get the technical and marketing details out that made it work. The early days were frustrating, we had to overcome a lot of stigmas, but I have to thank the founders for sticking with it. They did more than what was required because they believed in the association and having that unifying voice that has now become the professional voice of the industry." ■

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