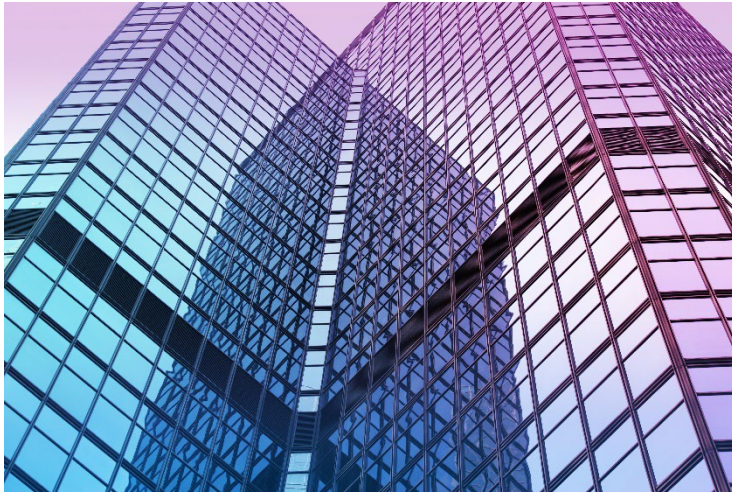


Provider Consolidation in the Retirement Plan Market: Impacts for Sponsors



Following in the footsteps of many banks and big accounting firms, there's been a growing trend toward consolidation among retirement plan service providers. But for the most part, less competition hasn't translated into higher fees for plan sponsors — at least not yet. If anything, the costs for recordkeeping and administrative functions have tended to trend downward.

Moreover, there's the potential for additional value for sponsors because of M&A activity among larger industry players, with the possibility of enhanced resources for clients. For example, plan sponsors may benefit from advanced back-end technology, more robust financial wellness offerings, and improved investment tools.

But the impact of consolidation may also differ depending on the size of your plan, with larger plans potentially having fewer choices available to them. If your service provider has a merger in the works, your advisor can help you navigate uncertain waters and review your agreements to ensure service levels remain consistent. He or she will be familiar with the larger service provider landscape and can help you evaluate the potential impact of any changes should they occur. Networking with other sponsors and communicating directly with your recordkeeper and plan administrator may also help you prepare for what lies ahead in an evolving service provider marketplace.

While it's advisable to put your plan out to bid every three years, a potential merger could call for tightening that timeline should any concerns arise. And if increased consolidation continues to result in more favorable plan pricing generally, it may indicate that lower fees — or higher levels of service for similar fees — might be available for your plan elsewhere. Even if your service provider isn't currently merging with another firm, investigating other options may be beneficial.

A 2021 survey conducted by NAPA to gauge the impact of recordkeeper consolidation on overall service levels found mixed results. Whereas 58% saw comparable service post-merger, 11% reported better or much better service, while 31% said service had deteriorated or reached “OMG



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bad” levels.

The jury is still out, and sponsors should adopt a wait-and-see approach to determine whether provider consolidation will be a net plus or minus. But even if the overall impact on the retirement plan industry turns out to be positive, a provider’s merger may still create some level of disruption within your organization. That’s why it’s prudent to remain vigilant about any upcoming changes in the marketplace, monitor for continuity of service quality following a merger, keep all lines of communication open and remain prepared to seek out a new provider if necessary. Because in the end, it’s the impact of your provider’s consolidation on your own plan that matters most.

Sources:

<https://www.napa-net.org/news-info/daily-news/reader-poll-whats-impact-recordkeeper-consolidation>

<https://www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/retirement-plan-sponsors-face-a-consolidating-401k-marketplace.aspx>

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