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SPECIAL REPORT

DC RECORD KEEPERS

Holding steady at top

Consolidation allows largest DC record keepers to keep pace as tumbling markets hurt asset values

By Jeff Nash

While the value of assets for the 10 largest defined contribution plan record keepers took a hit from the falling markets, the top 10 nonetheless retained their stranglehold on the business.

For the 12 months ended March 31, the 10 largest record keepers accounted for $1.93 trillion, or 71% of assets under record keeping in *Pensions & Investments'* survey universe. That compares with $2.16 trillion, or 70%, just three years ago.

Growth in market share has been driven by consolidation, as last year ING Groep NV bought CitiStreet LLC, and Wells Fargo & Co. merged with Wachovia Corp.

Executives at the largest record keepers also credit much of their growth to DC plan officials increasingly looking for well-capitalized brand names in this stormy market environment.

"There's been a real flight to quality over the past year," said Jamie Cornell, senior vice president and chief marketing officer at Prudential Financial Inc., Newark. "The biggest players in this space will continue to do well."

Fidelity Investments, Boston, grabbed the top spot, as ranked by assets under record keeping, with $635.6 billion. TIAA-CREF, New York, ranked second at $264.8 billion, while ING U.S. Retirement Services, Hartford, Conn., finished in third place to $237 billion largely because of the CitiStreet acquisition. Hewitt Associates Inc., Lincolnshire, Ill., and Vanguard Group, Malvern, Pa., with assets of $192.2 billion and $187.5 billion, respectively, ranked fourth and fifth.

That order, with the exception of ING, is the same as in 2006, the last time *P&I* surveyed record keepers.

Joe Ready, director of institutional retirement and trust at Wells Fargo in Charlotte, N.C., which ranked sixth with $91 billion, said acquisitions account for roughly 30% of Wells Fargo's growth in record keeping. In addition to last year's Wachovia deal, the company last month acquired Comerica Bank's record-keeping business, which had $3.4 billion in assets as of Dec. 31. "Other providers are finding they don't have the scale to compete," Mr. Ready said. "We're also seeing plan sponsors that are worried about whether or not their providers are going to stick around."

Gregory Burrows, senior vice president of retirement and investor services at The Principal Financial Group, Des Moines, Iowa, which ranked 10th with $69.6 billion, sees more growth over the next year coming from snatching competitors' clients. "Many plan sponsors have put evaluating and changing plan providers on hold while they deal with other challenges," he said, "but we're starting to see more and more requests for proposals."

403(b) growth

Regulatory changes for 403(b) plans that K-12 schools, universities, religious organizations and other non-profit entities employ also spurred growth for some record keepers.

Bertram Scott, executive vice president and chief institutional development and sales officer at TIAA-CREF, said his company's growth was bolstered by increased sales in the 403(b) plan market. "With the Department of Labor enforcing 403(b) regulations more aggressively, plan sponsors are changing plans and looking for the best opportunity for their participants," he said. "As a result, we've benefited from plan and vendor consolidation over the past two years, and we expect it to continue for the next 12 months."

Catherine Smith, CEO of ING U.S. Retirement Services, said ING also sees growth opportunities in the education market. Part of ING's strategy, she said, has been taking the platform created by CitiStreet for large customers ($150 million or more in assets) and bringing it to the small and midsize market ($20 million to $50 million in assets). "Just within our customer

Top DC record keepers

U.S. DC plan assets, in millions, as of March 31.

RANKED BY NUMBER OF SPONSORS

Rank	Record keeper	Sponsors
1	ING	52,798
2	Nationwide Financial	45,863
3	John Hancock Financial	43,625
4	AXA Equitable Life	41,079
5	Principal Financial	33,936
6	Fidelity Investments	33,852
7	ADP Retirement Services	30,571
8	VALIC	30,517
9	Hartford Financial	29,650
10	TIAA-CREF	26,996

*As of Dec. 31, 2008.

Top DC record keepers

U.S. DC plan assets, in millions, as of March 31.

RANKED BY PARTICIPANTS

Rank	Record keeper	Participants
1	Fidelity Investments	15,120,674
2	ING	7,002,629
3	Hewitt Associates	4,492,121
4	Great-West Retirement	3,785,137
5	Vanguard Group	3,519,825
6	Principal Financial	3,412,057
7	Wells Fargo	2,967,611
8	TIAA-CREF	2,950,000
9	Nationwide Financial	2,775,902
10	BofA Merrill Lynch	2,661,262

*As of Dec. 31, 2008.

Top DC record keepers

U.S. DC plan assets, in millions, as of March 31.

RANKED BY ASSETS

Rank	Record keeper	Assets
1	Fidelity Investments	$635,593
2	TIAA-CREF	$264,827
3	ING	$237,007
4	Hewitt Associates	$192,234
5	Vanguard Group	$187,480
6	Wells Fargo	$91,000
7	Great-West Retirement	$90,959
8	J.P. Morgan Retirement	$85,218
9	T. Rowe Price Group	$75,718
10	Principal Financial	$69,635

*As of Dec. 31, 2008.

base, we see an opportunity to consolidate new teachers and existing teachers into our plans."

The new regulations from the Internal Revenue Service, which went into effect Jan. 1, require plan executives to provide a written plan document, account for excess contributions and monitor the assets among multiple plan service providers.

Target-date funds and automatic enrollment programs also helped drive growth for many record keepers.

Barbara Fallon-Walsh, principal of the institutional investor group at The Vanguard Group, Malvern, Pa., said Vanguard's defined contribution sales were up 12% in 2008 from 2007, thanks to plan sponsors' strong demand for low-cost target-date funds. "Plan sponsors are really comfortable with these investments," she said. "And we find strong investment options lead to more administration business."

Cynthia Egan, president of T. Rowe Price Retirement Plan Services Inc., Baltimore, said automatic programs, including automatic enrollment and automatic escalation of contributions, have driven growth of assets at T. Rowe Price. "Plan sponsors understand more and more that they need to take clients by the hand and help them with their retirement goals," she said.

Mr. Cornell of Prudential, which ranked 11th with $68.2 billion in assets under record keeping, said his company's growth was bolstered by sales of IncomeFlex Target, its guaranteed-income target-date product, which was introduced in January 2007.

Great-West Retirement Services, Greenwood Village, Colo., which ranked seventh with $90.96 billion in assets, has seen 20% of its DC plan sponsor clients adopt its new Maxim Lifetime Asset Allocation Series of lifecycle funds since their debut June 15, according to Charles Nelson, president. "We have a strong balance sheet and innovative products, and that's what plan sponsors are looking for right now."

The market downturn — which has forced many worker participants to refocus on their retirement goals — also has helped the top players' increase sales.

"Most of the growth we've seen has come from plan sponsors recommitting to helping participants with their 401(k) plans," said Pam Popp, CEO of J.P. Morgan Retirement Plan Services LLC, Kansas City, which ranked eighth with $85.2 billion in assets under record keeping. Ms. Popp added that plan participants of client sponsors that have adopted J.P. Morgan's Audience of One — an educational program on retirement saving for participants — contribute, on average, 32% more than those who haven't.