
Are 401(k) providers 'applying' to top universities?

By Editorial Staff Thu, Nov 16, 2017

There has been a decline of 403(b) plans offered by higher education institutions and an upswing in the popularity of 401(k) plans, according to a survey by Transamerica, which is a full-service 401(k) provider.

Are big 401(k) plan providers looking for new business among U.S. colleges and universities? Are big non-profit higher-ed institutions looking for alternatives to TIAA, the long-time leader in that field?

Transamerica, which competes in that space itself, has just released a survey suggesting that such trends are underway. The 403(b) market represents only about one-fifth of the entire private defined contribution market in the U.S., estimated at about \$7.5 trillion this year, according to the Investment Company Institute.

According to Transamerica's 2017 Retirement Plan Trends for Institutions of Higher Education report, which is based on a survey of 249 plan sponsors, there has been a decline of 403(b) plans offered by higher education institutions and an upswing in the popularity of 401(k) plans. [Today's RIJ feature on TIAA refers to the impact of this trend on that company.]

"The trend reflects the pressure on higher education institutions to offer the same competitive benefits as corporate businesses if they hope to compete for talent, allowing for a wider choice of retirement plan vendors," a Transamerica press release said.

If such a trend exists, it might signal a referendum on the desire among plan sponsors for annuities in defined contribution plans, because 401(k) plans generally don't offer what TIAA does: a life annuity with periodic bonuses. Or it might signal that 401(k) plans are hungry to make up for assets lost to IRA rollovers.

The number of higher education institutions enlisting the services of retirement plan advisors and consultants jumped dramatically in 2016, moving to 41% of plans compared to just 17% in 2015. Another 24% of institutions say they plan to hire an advisor within the next 12 months.

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