
Loyalty to Plan Providers Varies By Plan Size—Cogent

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Plan providers are able to win loyalty in each size-tier to the extent that they meet the needs of that tier, says Cogent Research.

When asked to rank their loyalty toward a dozen or so prominent plan providers, sponsors of small, medium-sized and jumbo 401(k) plans come up with different rankings, according to the Cogent Research Retirement Planscape 2010 survey of about 2,200 U.S. plan sponsors.

For instance, while Vanguard generated the most loyalty among jumbo plan (> \$20 million in assets) sponsors, it ranked only fourth among sponsors of medium size plans (\$5 million to \$20 million) and tenth among micro plans (assets < \$5 million).

Cogent concluded that plan providers are able to win loyalty in each size-tier to the extent that they choose to specialize in meeting the needs that are characteristic of each tier. According to the survey:

- Bank of America Merrill Lynch was the plan provider with the most loyal customers among the micro plans, where administrative support is the highest driver of sponsor loyalty. ING and Mass Mutual ranked second and third.
- Fidelity Investments had the highest loyalty among mid-size plans where the most important criteria are plan participation support, fees, and administrative support. Principal Financial and Mass Mutual ranked second and third.
- Vanguard had the most allegiance among large plan sponsors, where “the ability to help sponsors with participant communications and problem solving has a critical impact on loyalty.” Charles Schwab and Fidelity ranked second and third.

“These findings reflect the day-to-day realities that sponsors face across the full spectrum of plan sizes,” said John Meunier, Cogent Principal. “Micro-plan sponsors need help getting their plans up and running. As plan assets grow, so too do sponsor needs, not only to manage the plan but participants and costs as well. When we’re talking about the biggest plans, it’s more about accountability to stakeholders, and keeping the plan and participants on track,” said John Meunier, a principal at Cogent.

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