ASCENSUS®

Leveraging Multiple Employer Plans (MEPs) to help close the gap in U.S. retirement savings

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Low-cost retirement plans for employers

Employers of all sizes have faced significant challenges when it comes to offering a retirement plan to their employees, including:

- Cost to offer a retirement plan
- Fiduciary duties, responsibilities, obligations, and liabilities
- Limited resources to manage a plan on a daily basis
- Distraction from core business goals

Nearly half of workers in the U.S. do not have access to a retirement plan at work*

OVERVIEW OF THE MULTIPLE EMPLOYER PLAN (MEP)

Rather than establishing a plan of its own, a business can choose to join together with other employers in a MEP. The entity that establishes the MEP is its sponsor, which typically designs the basic features of the MEP. These include the provisions that determine any waiting periods that employees must satisfy to participate, which types of contributions can be made to the MEP, when and in what form participants can take distributions from their account balances, whether loans and other optional features are available, etc.

The MEP sponsor also generally serves as the official plan administrator—the primary administrative fiduciary for the plan. It is the MEP sponsor that appoints the trustee and other service providers for the plan, communicates with participants regarding plan benefits, ensures compliance with regulatory rules, decides claims disputes and other plan issues, and determines available investment menus, among other duties.

TYPES OF MEPs

- Closed MEP—For employers with sufficient common interests, is treated as a single retirement plan, a closed MEP files a single Form 5500, undergoes a single audit, and determines ERISA bonding requirements based on aggregate MEP assets.
- Open MEP—For unrelated employers without common interests, employers that participate in an open MEP are treated as maintaining individual retirement plans. Currently, each participating employer must file its own Form 5500 and may need to employ an accountant to perform an audit of the plan. Each employer must establish a trust.
- PEP—For unrelated employers without common interests, a Pooled Employer Plan (PEP) is a new kind of defined contribution plan arrangement that is treated as a single plan, files a single 5500, undergoes a single audit, and transfers most fiduciary and operational duties to a pooled plan provider.

*John, David, Gary Koenig, and Marissa Malta. Payroll Deduction Retirement Programs Build Economic Security. Washington, DC: AARP Public Policy Institute, July 11, 2022.

ADVANTAGES OF POOLED EMPLOYER PLANS

A PEP is a single plan that bundles together unrelated employers from unrelated industries. A PEP is treated as a single retirement plan. It files a single Form 5500, undergoes a single audit, and determines ERISA bonding requirements based on aggregate PEP assets. In a PEP, a Pooled Plan Provider (PPP) assumes most fiduciary responsibility for the operation of the PEP.

In addition, a PEP can offer:

- **Cost efficiency**
  Costs are generally lower because they are spread across a larger participant and asset base, reducing the costs for each employer adopting the plan.
- **Fiduciary risk mitigation**
  Most fiduciary duties are outsourced to professionals such as the PPP and an ERISA 3(38) investment manager.
- **Operational outsourcing**
  The Pooled Plan Provider serves as the 3(16) operational fiduciary and assume many of the administrative burdens on behalf of the employer, including eligibility, beneficiary tracking, and plan disbursements.
- **Time savings and increased focus**
  The employer uses fewer resources, allowing more focus on growing business revenues and profits.

The Pooled Plan Provider assumes most fiduciary risk and responsibilities on behalf of adopting employers.

- Recordkeeping
- Administration
- 3(16) fiduciary services
- Trust and custody
- Named plan administrator

BENEFITS FOR EMPLOYERS

MEPs—Costs are lower for participating employers because the MEP sponsor is able to negotiate lower fees from service providers based on larger participant numbers and account balances. Some of the fiduciary and legal risk is transferred to the MEP sponsor and administrator.

PEPs—A PEP is administered by a Pooled Plan Provider (PPP), such as a financial services company. The provider will be a named fiduciary of the plan, but each employer is responsible for choosing and monitoring the provider.

Comparison of MEPs

Closed MEP	Open MEP	PEP
▪ Financial services companies cannot be the lead employer ▪ Generally limited to individual account plans ▪ Under new regulations no requirement for a lead employer to place their employees into MEP ▪ Commonality definition expanded to bona fide group/ associations/chambers/BBB/ agencies/PEOs/franchises/ other ▪ Geography and regionalization requirements ▪ One bad apple rule eliminated ▪ Banding together plans of different companies and industries with geographical commonality ▪ Efficiency of pricing and process ▪ One Form 5500, one audit, one fidelity bond based on assets	▪ Financial services companies can be the lead employer ▪ Defined contribution and defined benefit plans ▪ Need a lead employer whose employees must be in plan ▪ No commonality/bona fide group requirement ▪ One bad apple rule still exists ▪ No geographic or regional constraints ▪ Banding together plans of different companies and industries with no commonality ▪ Efficiency of pricing and process ▪ Separate Form 5500s, audits, trusts, fidelity bonds ▪ Each adopting employer retains some primary fiduciary liability	▪ Can be offered by financial services companies ▪ 401(a) defined contribution plans and 403(b) plans ▪ No requirement for the PPP to place its employees into PEP ▪ No bona fide group requirement ▪ No geographic or regional constraints ▪ One bad apple rule eliminated ▪ Banding together plans of different companies and industries with no geographical limitations ▪ Efficiency of pricing and process ▪ One plan: one Form 5500, audit, fidelity bond; separate testing ▪ Adopting employers have less investment, operational, and fiduciary liability

AN EXPERIENCED PARTNER

As a market leader in PEPS and MEPS, we offer the flexibility to provide access to both product and platform.

Contact your regional vice president or internal team to learn more.

800-345-6363 retirementsolutions@ascensus.com ascensus.com