AIA Georgia
Multiple Employer Plan (MEP) Overview

Executive summary
Business owners wish to offer competitive employee benefits, but do not want to be burdened with administration or with added financial risk. Retirement plans are no different. They can become burdensome and risky when managed without expertise. Fortunately, more companies offer services where employers can outsource their administrative responsibility and risk. If companies combine resources, through association membership, they get an optimal combination of less administration and potentially reduced risk at lower cost.

How the program is organized
A Multiple Employer Plan (MEP) is a special type of retirement plan where combinations of employers use one common document and trust. The combination of employers can be unrelated businesses that share a common interest through membership in an association or organization, but are not commonly owned. Trade and professional associations; nonprofit centers; federations and councils; professional employer organizations (PEO) and human resource outsourcing organizations; franchises; and co-ops are typical MEP sponsors. According to Larkspur Data Resources, there are 5,931 Multiple Employer Plans holding $346 billion in participant assets. 5,574 are Defined Contribution Plans valued at $219 billion and 357 are Defined Benefit Plans valued at $127 billion. Morningstar analyst W. Scott Simon wrote, in his article *Multiple Employer Plans Revisited*, that "MEPs, when run by experienced independent fiduciaries and featuring transparent, low-cost, and broadly and deeply diversified investment options, are the platinum standard of qualified retirement plans."

Employer members of a trade or business association sponsoring a MEP have the choice of adopting (participating) or not adopting the MEP. There is no requirement to join the MEP. Adopting employers transfer responsibility, management and administration of their retirement plan to the MEP sponsor. Size matters when negotiating fees for retirement plan administration and financial advice. For this reason, many employers can benefit from a MEP's economy of scale by pooling purchasing power to increase choices while reducing management costs, investment expenses and administrative time that is dedicated to a standalone retirement plan. One annual Form 5500 filing, periodic IRS qualification filing and annual independent audit are required of the MEP from the plan sponsor instead of each adopting employer. A MEP effectively bundles a group of smaller plans together creating a larger plan with reduced fees and liability for adopting employers. A few employers with very large plans may desire customized, exclusive features accessible in a standalone plans. Some small employers may find that retirement plans with limited features, such as a SIMPLE, meet their needs. However, many small, midsize and large employers find the fiduciary protection, cost structure and reduced administration requirements of a MEP attractive and advantageous. Since participation in a MEP is voluntary, adopting employers retain the flexibility to withdraw from the plan at any time should their business' needs change.

Associations can enhance membership with MEP's
By facilitating an affordable, high quality professional retirement plan program, associations sponsoring a MEP sponsors can attract and retain members that may otherwise leave or not join the association. Enhancing the fiscal strength of adopting business members is an additional potential benefit of sponsoring a MEP. By including an adoption charge or annual administration fee, a MEP need not be an expense for the sponsoring organization. Charges and fees are deposited in a separate account which is administrated by a Third Party Administrator (TPA) and dedicated to plan expenses. Employer sponsored retirement plans play a critical role, enabling employees to easily and efficiently save for retirement.

A MEP can be offered to all business members or as a benefit to a class of business members. Individual members, unless self-employed, cannot adopt a MEP. Some associations with solely individual members have established a business class of membership or changed their bylaws to deem that an individual member's employer is considered a member of the association, qualifying the employer to adopt the MEP.

Hiring Fiduciaries to Outsource the Risk

The MEP entity, the sponsoring trade or business association, bears the majority of responsibility and liability for managing the plan. Even so, almost all of this liability can be delegated by engaging regulated, professional experts called Plan Fiduciaries. Fiduciary roles that are commonly outsourced are:

- ERISA section 3(16) Plan Administrator
- ERISA section 3(21) Named Fiduciary
- ERISA section 3(38) Discretionary Investment Manager
- ERISA section 403(a) Plan Trustee

While hiring these service providers, the association retains the duty to select and to monitor the providers and Trustees must maintain a fidelity bond. The remaining administrative tasks including testing, reporting, required notices; the remaining investment selection and monitoring roles; the oversight of Trust transactions and Trust activity; etc... are outsourced.

In addition to named fiduciaries, the investment providers assist with enrollment and education support as well as account management.

MEP's help employees

Employees, plan participants, can benefit from access to a high quality retirement plan. Many employers do not sponsor a retirement plan because of high costs and the administrative time necessary to establish a plan. Even finding a provider for a small or start-up plan can be difficult. A MEP can address these obstacles for an employer. Participants can select from an array of institutionally priced stable value, index and actively managed investment options. Online tools to manage individual participant accounts are a foundational service. Employee education is provided by experienced enrollment teams. (Note that employee service with any adopting MEP employer is counted for counted for participation, vesting and accrual purposes within the plan.)

Final MEP considerations

There are some risks in adopting a MEP. One risk is often referred to as 'One Bad Apple'. A single adopting employer's actions could affect others - for example, not meeting top heavy rules. This type of risk can be minimized and managed through uniform eligibility, vesting and other features. Compliance can be maintained through competent administration, prudent plan design, safe harbors and other easily includible safety provisions. While a MEP is considered as one plan for discrimination testing, the plan is tested separately for each unrelated, adopting employer.

The individual businesses (adopting employers) make a fiduciary decision to join a MEP and still keep some liability. They are responsible for making timely contributions, providing data and other internal responsibilities - such as payroll processing. Otherwise, an adopting employer's fiduciary role is very limited in scope.

Retirement Plan Census

A census of businesses within AIA Georgia showed the following about existing retirement plans requiring a Form 5500 Department of Labor filing. The census was performed using publicly available information.

There are 102 employers offering plans with $418 million in assets.

- 4 employers with plans greater the $20 million; $174 million in plan assets.
- 4 employers with plans between $10 million and $20 million; $46 million in plan assets.
- 12 employers with plans between $5 million and $10 million: $87 million in plan assets.
- 42 employers with plans between $1 million and $10 million; $93 million in plan assets.
- 40 employers with plans less than $1 million; $18 million in plan assets.

There are 40 Board of Directors' employers offering plans with $62 million in assets.

There are 26 firms that publish a firm profile or ad in the AIA Georgia Resource Guide with 103 million in plan assets.

- 11 Board of Directors employers with $35 million in plan assets.
- 15 Non-Director employers with $68 million in plan assets.

10% to 20% of existing plan assets exceeds a threshold of $10 million needed to make a MEP efficient.