PROCYON PARTNERS

November 17, 2020

TIRED OF BEING IN THE RETIREMENT PLAN BUSINESS?

Litigation, employee resources and navigating the extensive regulations inherent with retirement plans are forcing fiduciaries to consider alternatives. In our white paper, we are providing a summary of an exciting new solution, an open **Multiple Employer Plan ("MEP") which provides some distinct advantages for Plan Sponsors**. Some additional flexibility to adopt these types of plans will be available as of 1/1/2021 due to legislative changes enacted earlier in the year.

There are many reasons why companies are considering MEP's, and Procyon Partners has extensive retirement consulting experience that can help organizations make sound fiduciary choices when evaluating the benefits of this structure.

To help navigate the acronym filled retirement industry, let us start with the basics. What is a MEP and how can it help my organization? A Multiple Employer Plan, or MEP, is a retirement plan that is maintained by two or more unrelated employers. Organizations choose to participate as an "adopting employer" while still retaining the flexibility to determine the benefit level provided to employees. The discussion around this product is particularly relevant today as the SECURE Act passed earlier in 2020 eliminated some legal barriers, thus enabling unaffiliated organizations to combine into one retirement plan. Simply put, having your organization adopt a MEP allows you to get out of the retirement plan business, changing the way retirement plans are managed today.

The key to making this offering beneficial is the centralization of administration and compliance for multiple Plan Sponsors through a single Plan. By having a "Pooled" employer plan your organization is no longer the Plan Administrator. Many of the key functions are outsourced to professionals that are working on behalf of the plan as a Plan Fiduciary.

More specifically, the many benefits of a MEP include:

- One plan audit for all adopting employers
- One 5500 is prepared and submitted
- Recordkeeping costs are reduced as increased scale reduces per participant cost.
- Investment selection is handled by a fiduciary investment advisor, providing relief from evaluating, choosing, and monitoring investments
- Plan administration is streamlined using one plan document which still accommodates separate benefit levels for individual Plan Sponsors

Outsourcing can be a tricky and quite frankly scary thing to do, especially with such an important benefit as retirement savings. In turn, the amount of time spent, regulations complied with and potential for litigation is ever increasing for those who handle this responsibility internally. As such, when selecting outside vendors to help with these responsibilities, it is imperative that Plan Sponsors use only qualified professionals who are also operating in a fiduciary capacity. Specifically, that the recordkeeper is acting as a 3(16) ERISA fiduciary and the investment advisor as a 3(38) ERISA fiduciary.

The designated MEP "sponsor" is the entity charged with the fiduciary responsibility of compliance with IRS and DOL regulations. The MEP sponsor is also responsible for executing plan amendments and facilitating the plan's restatement when necessary (yes, a new cycle of restatements is coming).

WHY DO ORGANIZATIONS JOIN A MEP?

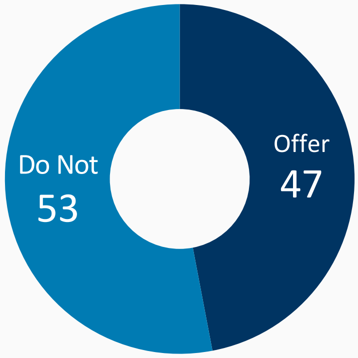
Many organizations who are smaller or recognize they do not want to take on the burden, cost and risk associated with operating their own Plan. In fact, 53% of employers with less than 50 employers do not offer a retirement plan.[1]

Alternatively, if you currently sponsor a retirement plan that is large enough to require an annual audit for example, you know how time consuming it can be. Each year seems to bring on significantly more questions by the auditors. Although the accounting industry is just looking to ensure compliance, it is becoming an unwelcome burden for companies who are trying to offer a competitive retirement plan while running their business during a pandemic! The option of having the MEP handle the annual Plan audit is just one more beneficial feature.

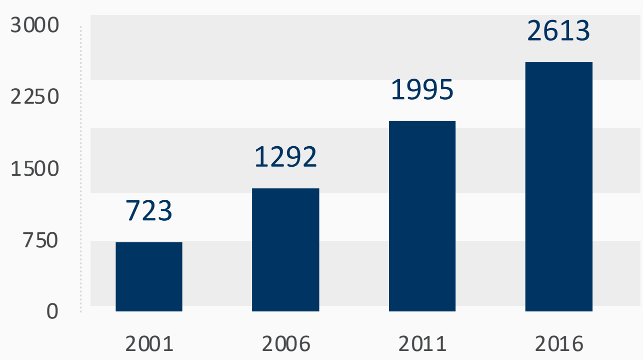
MEP's for related employers have been around for some time, but open MEP's advanced from the recently passed Secure Act and will likely benefit from further industry innovation (although hopefully not more zoom calls!). While the adoption of MEP's by organizations will likely take some time, one thing is clear, the road to adoption is apparent. They may not be appropriate for every Plan Sponsor, but the most important thing as a fiduciary is to make informed decisions and investigate the various options available. Stay informed!

MEP utilization will undoubtably increase over the coming years as companies gain a better understanding of why organizations use this plan design. As utilization grows organizations will get increasingly comfortable as the plan design proves its effectiveness. Ironically, the ability to offload responsibility, which is also one of the key benefits, is in fact the feature that drives the most discomfort. Companies may be reluctant to relinquish control, but need to focus on the big picture, specifically their own business and providing financial wellness help. The business of retirement plan administration and decision making can be delegated to professionals, who should be assuming fiduciary responsibility. It is important to understand that the administrative burden, inherent risk, and ultimate drain on internal resources may be more effectively mitigated using one professionally managed Plan. Organizations that are part of the LeadingAge Association may consider merging retirement plans to achieve the benefits outlined in this article.

% of Companies with < 50 Employee that offer retirement plans



Average # of Participants Per MEP



[1](The Benefits of Working for a Small Company, TED: The Economics Daily. May 4, 2018. Bureau of Labor Statistics https://www.bls.gov/opub/ted/2018/the-benefits-of-working-for-a-small-business.html)
GRAPH CREDIT: Boston College Law School Digital Commons @ Boston College Law School Boston College Law School Faculty Papers Spring 2020 Are Two Employers Better Than One? An Empirical Assessment of Multiple-Employer Retirement Plans Natalya Shnitser