



TRENDS IN THE DEFINED CONTRIBUTION INDUSTRY— MULTIPLE EMPLOYER PLANS

One of the most compelling trends in the defined contribution industry today is the increased use of multiple employer plans. Historically, the greatest number of workers without retirement plan coverage are those who work for small businesses. Retirement plan management for these companies is an administratively burdensome prospect. Lack of in-house benefits expertise, coupled with the fiduciary and legal issues surrounding a complex regulatory environment often make it difficult for small employers to sponsor a plan. Yet lack of benefits are often cited as a reason for high turnover among small businesses, with employees leaving these jobs for positions with organizations that offer more comprehensive benefits packages. Multiple employer plans offer an ideal solution to these challenges and address the complexities these businesses face in offering a retirement plan.

MEPs are not a new concept—these plans have been in existence for many years. What has changed, and why is there renewed interest in these programs? Today, fewer employers sponsor defined benefit pension plans. With small businesses expected to generate the greatest percentage of job growth in the future, the need for retirement plan coverage for employees of these businesses takes on even greater urgency.

HOW DOES A MEP WORK?

A Multiple Employer Plan, or “MEP”, is a retirement plan that covers employers that are not commonly owned. These employers each become “Adopting Employers” when they elect to join the MEP. These plans can be Defined Contribution (DC) or Defined Benefit (DB) plans.

Section 413(c) of the Internal Revenue Code and the regulations thereunder establish guidelines for Multiple Employer Plans. A MEP is essentially a single qualified trust established by the plan sponsor that allows unrelated co-adopters to adopt the plan. Under a MEP, each adopting employer can maintain an individual plan design. Compliance testing is also performed on an individual basis for each adopter, but only a single Form 5500 is filed for all participating employers under a multiple employer plan arrangement.

There are significant advantages gained by participating in a MEP, including:

- Elimination of primary fiduciary responsibility

- Investment fiduciary protection—relief of responsibility for selecting and monitoring plan investments
- Economies of scale in the form of buying power of a single large plan vs. smaller plans and greater negotiating power when buying investment and other plan services
- Cost savings
- Eliminates need for annual plan audit and 5500 filing for individual employers; only a single plan document is maintained
- Single source solution for plan services
- Ease of use for small businesses

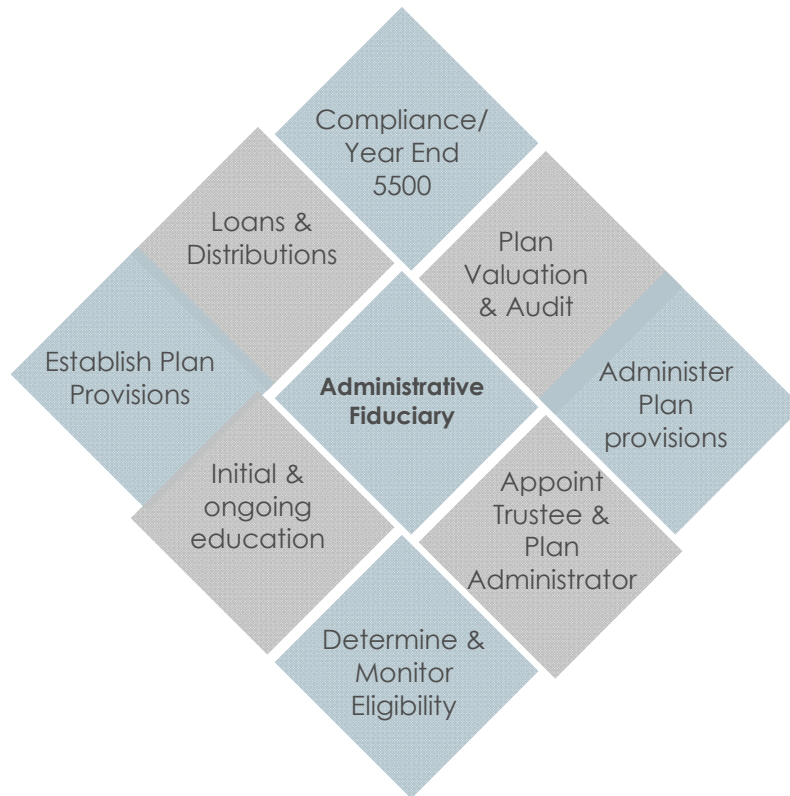
ADMINISTRATIVE EASE

MEPs deliver administrative ease for employers, as nearly all of the administrative tasks relating to the Adopting Employer's plan can be shifted to the Plan Sponsor. With a single plan document that participating employers adopt on an individual basis, a multiple employer plan approach also eliminates the need for individual plan audits and government filings, including individual Form 5500s.

Typically, MEPs provide the adopting employer with a comprehensive package of plan services. These services often include plan design and document support, plan consulting, administration and recordkeeping, legal and technical support, regulatory compliance and government reporting, investment management, fiduciary protection, and sponsor and participant communications. Because administration is streamlined, participating employers can also realize significant economies of scale that may result in lower plan costs.

TYPICAL MULTIPLE EMPLOYER PLAN ADMINISTRATIVE AND FIDUCIARY SERVICES

- Plan Design & Document Support
- Conversion & Implementation
- Administration & Recordkeeping
- Regulatory Compliance & Government Reporting
- Legal & Technical Support
- Comprehensive Fiduciary Relief
- Investment Management
- Advisor & Plan Sponsor Reporting
- Education & Communication Materials



ANOTHER KEY BENEFIT –THE MEP SPONSOR’S FIDUCIARY ROLE

Today's regulatory environment and compliance challenges make fiduciary oversight more important than ever. One of the key benefits of a multiple employer plan is fiduciary relief—as the MEP sponsor assumes principal fiduciary responsibilities associated with sponsoring a retirement plan. The MEP plan sponsor also ensures that the plan remains in full compliance with IRS and DOL regulations, providing plan amendments and regulatory updates as needed. The level of ERISA fiduciary protection a MEP offers not only relieves plan sponsors of the due diligence and ongoing monitoring of plan investments, but also protects advisors—acknowledging their role with their clients.

HOW ARE PLAN INVESTMENTS TYPICALLY HANDLED?

Under a MEP, the sponsor also serves as investment fiduciary. As the investment fiduciary, the MEP sponsor evaluates, identifies, selects and monitors plan investments, offering a fiduciary process that includes an investment policy statement, investment evaluation and selection, and ongoing monitoring and performance reporting. The ERISA section 3(38) investment fiduciary oversight and responsibility that the MEP sponsor assumes relieve advisors and their clients of the burden of due diligence and ongoing monitoring of investments.

As an investment fiduciary, MEP sponsors offer the benefit of careful oversight of investment options for participants that are regularly scrutinized for appropriateness, provide rigorous style consistency and the opportunity for broad diversification and asset allocation—and the benefit of due diligence built around the fiduciary responsibility that the sponsor assumes to ensure that plan investments are appropriate for a qualified retirement program. A MEP provides a single Investment Policy Statement that covers all adopting companies. Fund monitoring is done at the MEP Trustee level on behalf of all adopters. Documentation of fiduciary decisions is critical due to increased scrutiny by adopters & regulators.

Typically, a MEP's investment fund menu will generally be identical for all adopting companies. Investment menus should be broad enough to satisfy the investment needs of potential adopters and simple enough to be user-friendly to employee groups of widely varying investment sophistication.

TYPICAL MULTIPLE EMPLOYER PLAN INVESTMENT FIDUCIARY SERVICES

- Investment Policy Statement
- Investment Evaluation and Selection
- Investment Menu of Broadly Diversified Options
- Ongoing Monitoring of Funds
- Performance Reporting



WHEN DOES A MEP MAKE SENSE?

MEPs are an ideal retirement plan solution in many situations, particularly where fiduciary liability is an issue, when there is no current plan in place because of the complexities involved in offering one, for bona fide employer groups, where clients with multiple payrolls are looking for synergy, in decentralized organizations looking for leverage, and in organizations looking for value-added services for members or affiliates.

Pentegra Retirement Services' consultative approach can help financial advisors and plan sponsors determine if a multiple employer plan is the right solution for an organization's needs. Our multiple employer plan—the Pentegra Advantedge(k)SM—delivers distinct advantages to you and your clients from a provider with more than six decades of multiple employer plan expertise. Today, as multiple employer plans grow in popularity, Pentegra is one of the few providers—if not the only one—that offers more than 65 years of experience and expertise in administering these types of programs. We offer a multiple employer plan solution with a tangible difference—the benefit of experienced professionals—who are experts in plan investments, administration and fiduciary services, and experienced in managing 401(k) plans in accordance with the highest standards—that sets us apart from other multiple employer 401(k) plans. To learn more, go to www.pentegra.com/advantedgek or contact John Schafer, Vice President, at jschafer@pentegra.com or 800-872-3473, x534.