Participating in a multiple employer plan

A strategy to offer comprehensive retirement services and better manage resources and administration.

Preparing for—and living comfortably in—retirement continues to be a concern for the American workforce. Employees often find it difficult to save while balancing other financial demands. Employers wrestle with how to maintain a retirement benefit given the demands on budgets and staff.

With that said, continuing to offer a retirement plan may be more important now than ever before. Workers who have savings invested in a retirement program are more than twice as likely than those without a plan to feel confident in living a financially comfortable retirement.[1]

The challenge becomes what an employer can do in a quickly changing economic landscape. After the volatility of the recent past and with fears of inflation building, balancing the needs of an evolving workforce in an era of financial modeling and long-term fiscal projections can be daunting.

Employers need to weigh both the fixed and variable cost of carrying a retirement plan. All too often, it can be a matter of administrative bandwidth: there's just no more room to stretch resources and staff any further. What's more, with litigation on the rise, employers are evaluating how to best carry the responsibility of sponsoring a retirement plan, opting to reduce their fiduciary exposure.

Pursuing Strength in Numbers: Weighing the value of a MEP

Organizations interested in re-evaluating the status quo and seeking a way to maximize group purchasing power will want to consider participating in a multiple employer plan or MEP. In such an arrangement, organizations that currently purchase their services as a single plan sponsor band together with like members to aggregate the purchase of retirement plan services—thereby reducing administrative tasks, mitigating fiduciary responsibility and in some cases, reducing overall plan costs. The MEP provides an opportunity for organizations to offer a retirement program in a cost-effective way. Even an organization that already offers a plan may discover additional benefits by participating in a MEP rather than carrying on with a stand-alone plan.

The combined resources of a MEP offer participating organizations benefits, including the ability to negotiate lower costs than what they may incur through a stand-alone plan as well as access to potentially higher-quality service providers.

When evaluating a MEP, consider some of the potential benefits:

- To simplify and manage costs, plan design and investment choices can be streamlined. A team of professionals, including a recordkeeper, advisor and administrator, can assist with plan design, investment selection and monitoring as well as employee communication, education and advice.
- A MEP is designed for economies of scale. Potential savings could include reductions in fixed administrative costs, investment pricing and the time spent by a participating organization's staff. Also, any fees paid to an advisor or consultant for monitoring plan investments can be shared by the participating MEP organizations, potentially reducing the cost to each.
- The primary sponsor or plan committee makes many of the decisions, such as selecting and monitoring service providers and the plan's investment lineup. While a participating employer's fiduciary responsibilities and liabilities are not entirely eliminated, many decisions may be delegated.

As organizations and higher education institutions try to solve the financial issues they face, a more affordable and efficient retirement plan strategy may be a way to help control costs across the board. Greater plan administration support enables organizations to focus more time on business and operational strategy while easing off day-to-day administrative tasks.

What a MEP can offer participating organizations

Tools and resources

Participating organizations can look to the MEP for:

- Form 5500 filing
- Nondiscrimination testing
- Tracking contribution limits
- Tracking catch-up contributions
- Required communications
- Oversight of hardship requests
- Oversight of distribution processing
- Monitoring of pending legislative actions

Fiduciary support and risk management

Mitigating fiduciary risk can ease the burden on organizations. A MEP combines investment policy statement development, investment lineup assistance, investment selection and monitoring, ongoing reporting, payroll integration and more. Participating organizations delegate fiduciary responsibilities to an experienced ERISA 3(16) plan administrator and ERISA 3(38) investment manager.

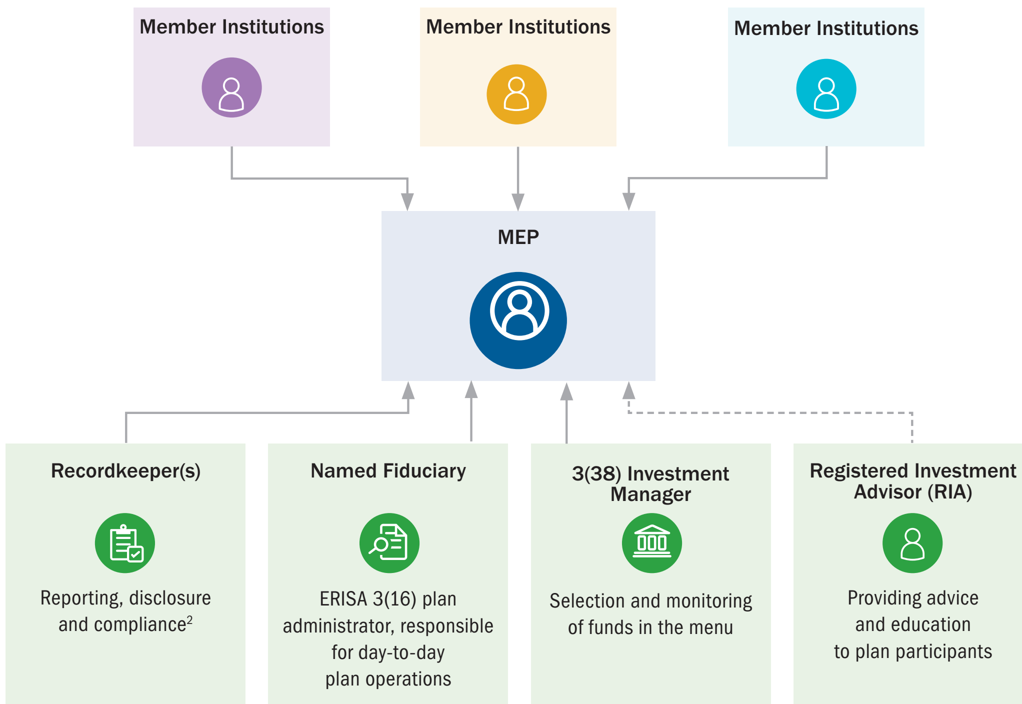
Plan design

Participating organizations can retain the flexibility to choose plan features including vesting, eligibility requirements, matching contributions, profit sharing, automatic enrollment and general plan design.

Economies of scale

Participating organizations may realize savings through lower investment costs from aggregated assets, reductions in fixed administrative costs and administrative time. Advisor or consultant fees can be shared by the MEP participants. Audit fees are shared by the plan and eliminate the need for sponsors to pay out-of-pocket.

MEP participants select a primary plan sponsor to assume the day-to-day plan administration. The participating organizations receive the benefit of services from a single recordkeeper, named fiduciary and investment manager. They also may have the opportunity to work with a registered investment advisor.



- The plan recordkeeper has responsibility for all plan reporting, disclosure and compliance.
- The ERISA 402(a) named fiduciary and the ERISA 3(16) plan administrator is responsible for the day-to-day operations of the plan.
- The ERISA 3(38) investment manager is responsible for selecting and monitoring the funds in the investment menu.
- A registered investment advisor can advise individuals on investments and manage their portfolios.

Fixed and variable annuities can provide an additional 20% of certainty-equivalent income in retirement as part of a diversified income strategy.

Morningstar, "The Benefit of Diversified Income for Retirees: Combining Fixed and Variable Annuities," November 2019.

MEP resources can help you promote better outcomes for employees

A MEP, through its shared service providers, can offer strong participant support to help promote employee financial literacy and responsible savings strategies. The MEP should maintain a robust program of content and targeted delivery that considers employee life stage, behaviors and attitudes, along with environmental influences and emotional mindsets. This continues to be ever-more important in light of the challenges to engage employees of different ages and life stages who are working side by side and yet have different priorities.

For instance, baby boomers are more likely than Generation X or millennials to cite a fear of declining health that requires long-term care. Alternatively, Gen X and millennials are more concerned about not being able to meet the family's basic financial needs in retirement. One concern common to all though: outliving their retirement savings.[3]

A multigenerational communication and education program must focus on retirement readiness, underscored with investment options that offer lifetime income benefits, such as fixed and variable annuities.

TIAA, a leader in the 403(b) retirement market, has long espoused the imperative of offering plan sponsors and their employees the means for pursuing lifetime income. As a service provider to a MEP, TIAA can assist participating organizations in helping provide the tools and resources necessary to continue the dialogue with employees about their retirement goals and how lifetime income options can strengthen a diversified retirement income plan. A balanced combination of fixed and variable annuity income payments, and investment portfolio withdrawals—from options available through the MEP—can supplement Social Security payments to help employees feel more confident about retiring.

Helping you make the transition

TIAA has more than 100 years experience in the 403(b) marketplace and recordkeeps $3.6 billion in MEP assets across more than 800 employers.[4] We also have a proven onboarding process for MEP participating organizations.

TIAA helps:

- Update plan documents and recordkeeping agreements
- Develop a needs-based project plan that lays out all phases of the transition with milestones of what to expect and how to prepare for what's ahead
- Conduct end-to-end testing and validation of participant data files to help ensure the validity of plan setup
- Design a multichannel, custom communication and education strategy for employees

Contact TIAA for more information and to discuss how a MEP may be a valuable option for your organization.

[1] Employee Benefit Research Institute, 2019 Retirement Confidence Survey, “2019 RCS Fact Sheet: Retirement Confidence,” April 2019.

[2] In arrangements with no RIA, TIAA may also provide participant advice and education.

[3] Transamerica Center for Retirement Studies, 19th Annual Transamerica Retirement Survey of Workers, “What is ‘Retirement’? Three generations prepare for older age,” April 2019.

[4] Source: TIAA, as of April 2021.

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