



Multiple Employer Plan FAQ

What is a Multiple Employer Plan (MEP)?

A MEP is a 401(k) plan established under 413(c) of the Internal Revenue Code that allows unaffiliated employers to adopt into a retirement plan sponsored by a third party that bears responsibility for administering the plan. The Payroll Company is the Plan Sponsor & Trustee, and clients are adopting employers.

Who can join the MEP?

Any employer is eligible to participate in the MEP. We have plans that range from start-up to multi-million dollar plans from a variety of industries. Currently there are over 190 plans and \$65 million in the MEP.

What plan would be a good fit for the MEP?

The MEP is the right fit for companies that are looking to save money on administrative costs and to have relief from fiduciary responsibility. The MEP is most appealing to small or medium sized businesses because of the administrative cost savings.

What will it cost to join the MEP?

The average annual cost is \$2,000 plus 1.32% of plan assets.

- Recordkeeping/TPA/Administration \$2,000
- Advisor .70%
- 3(38) Manager (BAM) .30%
- Custodian .05%
- Estimated Fund Cost .27%

Do I have to use The Payroll Company's payroll services in order to participate in the MEP?

No. While clients are not required to have their payroll processing with The Payroll Company, there is extra efficiency gained when we provide both services.

Is there an advantage to using both Payroll and 401k Services?

If a client uses our payroll services not only do they receive a cost savings, they eliminate the need to upload their payroll file each pay period and, more importantly, eliminate the need to complete the annual census. Clients are left with two primary responsibilities as it relates to plan administration: 1. Complete an annual survey, and 2. Distribute required notices and disclosures to their participants.

How is the MEP different from a traditional 401(k)?

Overall, you'll find the MEP to be more cost-effective than a traditional 401(k) plan. For one thing, you don't have to handle the administrative costs associated with managing your own plan. Secondly, we choose from investment funds that generally have lower fees. And lastly, the MEP allows you to take advantage of the economies of scale for lower pricing than with an individual plan.

Can plan design be customized within the MEP?

Yes. Each client completes their own adoption agreement. Clients choose their own vesting schedule, company match, eligibility requirements and whether they would like to offer loans or a Roth option. The MEP offers a profit sharing component using straight pro-rata allocations, social security integrated formulas and cross-tested formulas. Employers can also choose safe harbor allocations that will allow them to avoid certain non-discrimination testing.

What's new in Congress regarding MEPs?

The support of "open" multiple employer plans ("MEPs") in Washington, D.C. is growing.

MEPs have been around for years, however regulations have significantly hindered their growth.

In President Obama's budget message with respect to Fiscal Year 2017, issued on February 9, 2016, President Obama embraced the concept of MEPs. The budget called for the creation of open MEPs so that employers could offer benefits with lower costs and less fiduciary burden. House Speaker Paul Ryan released a report entitled "Poverty, Opportunity, and Upward Mobility" on June 7, 2016. This report included a section on retirement plan matters that specifically supported MEPs. The report noted that MEPs "reduce administration and compliance costs, making it more cost effective to offer."

How do we get started?

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