FOR MORE INFORMATION

To learn more about the Big “I” MEP 401k Plan, please contact Christine Muñoz, Vice President, Big “I” Retirement Services, LLC at 800-848-4401 or christine.munoz@iiaba.net.

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BIG “I” MEP 401(K) PLAN OVERVIEW

BIG i®

RETIREMENT SERVICES.

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WHAT IS A MULTIPLE EMPLOYER PLAN (MEP)?

A MEP is a retirement plan established by one plan sponsor – in this case, Big "I" Retirement Services LLC (BIRS) – that is then adopted by one or more participating employers. When an employer merges its current single-employer plan into a properly structured MEP, the role of plan sponsor then transfers from the adopting employer to the plan sponsor of the MEP.

The MEP sets up a single plan that covers all adopting employers, with the plan document generally written to allow for variation in plan design among the participating employers. Fund selection and monitoring are handled by the MEP – in our case, outsourced to Fiduciary Investment Advisors, LLC as the ERISA 3(38) fiduciary. Discrimination testing and plan design (with some limitations) generally remain with the participating employer with the administration being handled by MVP Administrators, Inc.

It is important to note that BIRS is the sponsor of the MEP. It should also be noted that BIRS is sponsoring a "closed" MEP which is limited to state associations and member agents. No other employers will be allowed to participate.

WHO ARE THE PARTIES INVOLVED IN THE BIG "I" MEP 401(K) PLAN?

Bringing it all together for you.

WHEN IS THE BEST TIME TO COMPARE MY PLAN TO THE MEP?

Anytime! If you are a current plan sponsor, it is your ongoing fiduciary responsibility to review your plan and determine if the fees/costs are reasonable, avoid excessive plan costs and look at the overall benefits provided to plan participants. You, the plan sponsor, can contact us at any time during the year to inquire about the MEP and obtain a proposal. If you are interested in learning more, we would be more than happy to discuss the finer details such as transition timing, the impact of moving from a single employer plan to the MEP and introduce you to our administrator who will walk you through the process. We can also review your current plan expenses and design with you to ensure you are maximizing your retirement plan benefits for you and your employees.

WHERE DID THE MEP CONCEPT ORIGINATE FROM?

Over the past decade, the regulatory and judicial environment for qualified retirement plans, particularly 401(k) plans, has evolved to require more active involvement by the plan sponsor. This has put plan sponsors in challenging positions requiring them to oversee the various complex components of the plan – investment selection and monitoring (including the development of an investment policy statement), plan administration, staying abreast of new laws and regulations, and ensuring that plan participants receive relevant information and have effective and easy-to-use tools to help them make the best choices for their situation and objectives.

Under the Employee Retirement Income Security Act of 1974 (ERISA), the Department of Labor (DOL) and Internal Revenue Service (IRS) share responsibility of the enforcement of the law and subsequent regulations. Of particular relevance for plan sponsors are the DOL's requirements for disclosures of plan expenses so that plan sponsors and plan participants are aware of the total cost borne by plan participants. For a number of years, the 401(k) plan industry has "bundled" the costs, making it difficult to understand what the investment manager, plan administrator, custodian and plan advisors receive in compensation from the plan, and ultimately the plan participants. The Big "I" MEP 401(k) Plan (BIRS MEP) was developed with exactly these requirements in mind: transparency in expenses, lower costs, wide variety of investment options, reducing the plan sponsor's fiduciary exposure, high service standards, relevant employee education resulting in maximizing the value of the retirement plan as an employee benefit and achieving the needs of the plan participants.

WHY SHOULD I JOIN THE MEP AND WHAT CAN IT DO FOR ME?

The better question is, "Why not?" With the continuous stream of class action lawsuits against employers claiming they have breached their fiduciary obligations, it is no longer prudent to believe that simply offering a 401(k) plan to your employees is enough. A breach of fiduciary responsibility can be costly as employees set out to recover excessive fees and investment losses from their employers. While no one entity or person can eliminate a plan sponsor's fiduciary responsibility, a properly structured plan can help mitigate the risk. Our MEP structure allows us to pool together our collective size to obtain economies of scale and obtain great pricing.

Mitigation of fiduciary risk
The relief offered by MEP participation is extensive but not total. Certain responsibilities generally remain with the adopting employer, and even this reduced role must be taken seriously. While a plan sponsor cannot completely eliminate its fiduciary liability, it can be mitigated by the proper selection and monitoring of an outside 3(38) investment manager, which is handled by BIRS.

Streamlining of plan operations
In addition to the audit elimination for large plans, MEP adopting employers no longer file a Form 5500 or maintain a fidelity bond. The annual audit is handled by BIRS with each participating employer being required to answer auditor's requests. It is important to note that any employer not complying with the requirements will not be allowed to continue to participate and will be removed from the MEP.

Investment considerations
The BIRS MEP has a specific investment approach: to allow plan participants to allocate their account balances among a variety of stock indexes, a bond index and the "Guaranteed Account," or plan participants can choose to select a "Target Date Fund" which provides for a pre-selected allocation appropriate to the individual's risk and/or time horizon and which is periodically rebalanced to arrive back at the targeted allocation.

Transparency in plan expenses
The retirement plan industry has been constantly evolving for decades. In the 1970s, the traditional defined benefit plan sponsors (IBM, Ford, UPS) learned that they could unbundle the actuarial, plan administration and investments from the traditional "bundled" approach that insurance companies offered and lower their costs and improve their investment returns. A similar evolution has been occurring with 401(k) plans. However, it has been more challenging to provide a similar opportunity for smaller sized organizations due to a lack of scale. Many small plans experience "retail" pricing which pays – or subsidizes – the cost of the services provided to the plan. Because of the bundled approach, and complexity of the components, it has been difficult for plan sponsors and plan participants to understand the expense equation.