

FINDING THE RIGHT FIT

A GUIDE TO THE EXPANDING WORLD OF POOLED PLAN ARRANGEMENTS

Retirement plans have evolved over the past two decades. It's an ongoing challenge for employers and their advisors to determine what type of plan is the best fit for their organization. To help, we have broken down the differences between a single employer plan, closed multiple employer plan (MEP), a pooled employer plan (PEP), and other pooled plan arrangements like those offered through Transamerica's *Group Plan Solution*sm or group of plans/defined contribution groups.

	SINGLE EMPLOYER PLAN	"CLOSED" MEP	PEPS	GROUP PLAN SOLUTION (GPS) OR GROUP OF PLANS/ DEFINED CONTRIBUTION GROUPS
Definition	An employer-sponsored plan covering/ benefiting one employer, which may include one or more employers who are part of a controlled group.	An employer-sponsored plan that covers/ benefits employers who have a common interest but are otherwise unaffiliated.	An employer-sponsored plan that covers/benefits more than one unrelated employer.	A collection of employer-sponsored plans, which, under an arrangement, may share a common plan administrator, named fiduciary, investment menu, plan year, and trustee.
Who can sponsor?	Any employer.	A group or association, or a professional employer organization (PEO), meeting certain requirements.	Generally sponsored by the PEP provider, or by the pooled plan provider (PPP).	Each employer sponsors its own plan for DOL purposes, with a 3(16) or any other entity willing to take on a fiduciary role to ensure plans comply with ERISA and compliance requirements.
Who makes plan-level decisions?	The employer makes all decisions related to the plan but may hire or name others for assistance with fiduciary or administrative duties.	The MEP sponsor makes all administrative decisions and bears the fiduciary risk relating to the plan but may engage external parties such as an investment manager and administrative fiduciaries (e.g., ERISA 3(16) and/or 3(38)). By doing so, the MEP sponsor is able to shift significant fiduciary responsibilities and risks, as well as plan administrative duties. Participating employers may retain some plan design decision-making authority.	Same as MEP, but generally with the PPP making the decisions.	The 3(16), in conjunction with the participating employers.
What types of employers can join?	n/a	A closed MEP is made up of more than one unrelated employer and a sponsor that is a bona fide group, association, or organization with which member employers share a nexus or interest other than the retirement savings plan. Only member employers of the bona fide group can participate in the plan, and member employers must also be able to make plan-related decisions.	Generally, the employer does not need to meet any requirements to join the PEP.	Generally, the employer does not need to meet any requirements to join.
Who is the fiduciary?	The employer must monitor the plan for appropriateness but may hire external service providers to limit liability.	The adopting employers and the MEP sponsor must monitor the plan for appropriateness, though generally the adopting employers are able to offload much of their fiduciary duties onto the sponsor or external service providers.	Same as MEP (with the PPP taking on the fiduciary duties).	Same as MEP (with the 3(16) taking on the fiduciary duties).
What is the fiduciary role for adopting or participating employers?	The employer is a fiduciary responsible for overseeing the service providers and submitting contributions and data in a timely way.	It is a fiduciary decision to join and remain in a MEP and oversee the MEP sponsor. The employer also has a fiduciary duty to submit contributions and data in a timely way.	Same as MEP (with oversight of PPP).	Same as MEP (with oversight of 3(16)).
What are the Form 5500 requirements?	The employer is responsible for filing one Form 5500 for the plan.	The MEP files one Form 5500 (with one auditor's opinion, if applicable) on behalf of all adopting employers. For plan years after December 31, 2020, the DOL may permit a simplified 5500 and may provide an audit exemption if the MEP has less than 1,000 participants and if no adopting employer has 100 or more participants.	Same as MEP.	Each plan files its own Form 5500, unless included in a combined Form 5500 (effective for plan years beginning on or after January 1, 2023) with other participating employers as a Group of Plans' filing. Large participating employers are required to file with an auditor's report, whether filing a separate Form 5500, or as part of a Group of Plans' filing. To file a combined Group of Plans' Form 5500 on behalf of some or all participating employers, all plans included in the filing must have the same trustee, plan year, administrator, fund menu, and named fiduciary.

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How are audits handled?	Required for plans with more than 100 participants.	Audit of the entire plan is required (if the MEP is a large-plan filer) except to the extent that the DOL provides the exemption noted above.* The cost may be paid through plan assets.	Audit of the entire plan is required (if the PEP is a large-plan filer) except to the extent that the DOL provides the exemption noted above.* The cost may be paid through plan assets.	Large participating employers are required to file with an auditor’s report, whether filing a separate Form 5500, or as part of a Group of Plans’ filing.
How is the plan tested?	The employer is tested using only its employee data.	Each adopting employer is tested and must pass required testing (ADP/ACP, top-heavy, etc.) using only its employee data (subject to vesting and eligibility exceptions noted in disadvantages below).	Same as MEP.	Same as single employer plan (subject to vesting and eligibility rules if any portion of the arrangement is a MEP for tax purposes but a collection of single employer plans for DOL purposes).
What flexibility does the plan offer?	The employer has the most flexibility to choose vendors, fiduciaries, fund lineup, and/or plan provisions.	For adopting employer, no flexibility in choosing certain fiduciaries and/or may have limited flexibility with plan provisions. In practice, no flexibility in choosing fund menu.	Same as MEP.	For participating employers, no flexibility in choosing certain fiduciaries and/or may have limited flexibility with plan provisions. In practice, no flexibility in choosing fund menu.
Is there a tax credit for employers?	Small business tax credit for starting a plan for the first three years a “plan” is in existence.	Tax credit may be available to small businesses joining a MEP.	Tax credit may be available to small businesses joining a PEP.	Small business tax credit for starting a plan for the first three years a “plan” is in existence.
How do employer costs compare?	Costs, administrative burdens, and fiduciary responsibilities may be higher for the employer than with other plan types.	Costs, administrative burdens, and/or fiduciary responsibilities of the adopting employer typically are lower than with a single employer plan due to shared costs.	Same as MEP and potentially other fees as required by the DOL and U.S. Treasury Department.*	For small employers, less costly than MEPs due to no vesting and eligibility tracking requirements (except plans that are MEPs for tax purposes, but a collection of single employer plans for DOL purposes) and beginning January 1, 2023, the ability to be included with other participating employers in a Group of Plan’s Form 5500 filing. For large employers, less costly than MEPs due to no vesting and eligibility tracking requirements, but still have Form 5500 audit costs.
How is vesting and eligibility tracked?	Working with its retirement plan provider, the employer tracks vesting and eligibility.	For purposes of vesting and eligibility, service with all employers within a MEP must be taken into account. (Unlike other providers, Transamerica can track this for the plan sponsor). Adopting employers should be aware that a new employee may be eligible and fully vested “Day 1” if they moved from another employer in the same MEP.	For purposes of vesting and eligibility, service with all employers within a PEP must be taken into account. (Unlike other providers, Transamerica can track this for the plan sponsor). Adopting employers should be aware that a new employee may be eligible and fully vested “Day 1” if they moved from another employer in the same PEP.	No burden to track vesting and eligibility because each plan in the GPS is a single employer plan (except where the arrangement is a MEP for tax purposes, but a collection of single employer plans for DOL purposes).

Contact your Transamerica representative for support selecting the best plan for your client.

 **Call:** 888-401-5826  **Visit:** [transamerica.com](https://www.transamerica.com)

* Further guidance from the DOL is pending.

Information regarding retirement plans is general and is not intended as ERISA, legal or tax advice. Transamerica and its agents and representatives do not provide legal or tax advice. Retirement plans are complex, and the federal and state laws or regulations on which they are based vary for each type of plan and are subject to change. In addition, some products, investment vehicles, and services may not be available or appropriate in all workplace retirement plans. Plan sponsors and plan administrators may wish to seek the advice of legal counsel or a tax professional to address their specific situations.

While a Multiple Employer Plan (MEP) arrangement offers adopting employers the ability to delegate fiduciary functions to the MEP provider, employers should be aware that they still retain fiduciary responsibility for selecting and monitoring the MEP provider. Adopting employers of a MEP must share a commonality — a connection among the adopting employers such as a trade, professional organization, or PEO — and the MEP is treated as a single plan. A violation of the qualification rules by an adopting employer would not affect the qualified status of the plan as a whole (known as the “one-bad-apple” rule or the “unified plan” rule) provided the plan document addresses how to spin-off a non-compliant employer.

Pooled employer plans (PEPs) are a new type of multiple employer plan for which the Department of Labor (DOL) and IRS guidance is still pending in a number of areas. An employer participating in a PEP retains certain fiduciary responsibilities, including responsibility for retaining and monitoring the Pooled Plan Provider (PPP), for determining the reasonableness of its fees, and for periodically reviewing the plan as a whole. Among other responsibilities, the PPP acts as the 3(16) plan fiduciary.

Group Plan Solution (GPS) is not a multiple employer plan (MEP). Unlike a MEP, certain plan qualification and ERISA requirements are applied at the individual plan level. An employer participating in the plan retains certain fiduciary responsibilities, including responsibility for retaining and monitoring the 3(16) plan administrator, for determining the reasonableness of its fees, and for periodically reviewing the plan as a whole. Transamerica does not act as a 3(16) plan fiduciary.

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