

# A Pooled Employer Plan



## ALERUS

### Pooled Plan Provider & Recordkeeper

Alerus is a nationally ranked retirement provider serving nearly 9,000 plans and 350,000 participants with \$35.1 billion in assets under administration. Its expertise includes providing trust and custodial services, recordkeeping, and reporting to meet the unique needs of your business. Alerus' technology platform provides employees with 24/7 access to their retirement plan balances, investment elections, financial wellness tools, educational information, and important plan communications.

## ∴ MML Investors Services

### 3(38) Investment Manager

MassMutual Plan Fiduciary Services is a 3(38) discretionary, investment manager plan solution designed to provide an investment lineup, from which plan participants can select investment options, while helping you recruit and retain valuable associates. MassMutual Plan Fiduciary Services uses an in-house investment analysis process to make sure your retirement plan has a broad selection of investments available for participants based on their needs and objectives.

## ACCESS Retirement Solutions

### Plan Sponsor & Named Fiduciary

Founded by recognized experts in the retirement industry, Access was formed to provide employers that historically had limited resources, and often even less bargaining power, with access to a retirement plan platform that is fully customizable. This platform is also free from conflicts of interest, provides complete fee transparency, and rivals, if not exceeds, that which is offered to the employees of Fortune 500 companies.



## Pooled Employer Plans

### A new retirement plan option for employers

The SECURE Act, which became effective on January 1, 2021, allows unrelated employers to offer retirement benefits to their employees through newly created arrangements called Pooled Employer Plans (PEPs). In contrast to Multiple Employer Plans (MEPs), which have existed for some time, PEPs are deemed to be a single plan under the Employee Retirement Income Security Act of 1974 (ERISA) and only need a single annual Form 5500 filing and audit. Additionally, unlike most MEPs, there is no need for any commonality of interests or connection among the participating employers.

Rather than being associated with a given employer, PEPs are separate from the groups of employers that elect to participate. A PEP's purpose is to provide retirement benefits to the participating employers' workforce. In summary, the newly created PEP structure enables unrelated businesses to offer low-cost retirement benefits while retaining the

design flexibility that commonly exists in the single employer plan setting. This reduces the administrative and investment related expenses, and potentially limits the fiduciary responsibilities that each participating employer would otherwise retain under a traditional single employer plan structure. Additionally, the SECURE Act increases available federal tax credits that are aimed at defraying plan startup costs from \$500 up to \$5,000 and creates an additional \$500 tax credit for plans that automatically enroll new hires.

### How PEPs work

Unlike traditional single employer plans, the participating employers in a PEP have limited responsibilities with respect to the PEP's general day-to-day administrative functions. Instead, each PEP has a Pooled Plan Provider (PPP), which acts as the PEP's "plan administrator," as defined in Section 3(16) of ERISA. Under this structure, the PPP is a named fiduciary that is responsible for the PEPs administrative functions.



## Advantages of the RMS EasyPlan

Employers who participate in the RMS EasyPlan<sup>\*</sup> PEP can reap the benefits and economies of scale associated with a larger plan while reducing the costs and risks that are commonly associated with a single employer plan or other inferior pooled arrangements.

### NOTABLE BENEFITS INCLUDE:



**Cost efficiencies:** Costs are spread across a larger group of participants and asset base, which permits cost reductions for each participating employer and the individual employees who participate in an RMS EasyPlan PEP.



**Fiduciary risk mitigation:** Investment responsibilities and duties are fully outsourced to a knowledgeable fiduciary serving as a discretionary ERISA 3(38) investment manager arrangement.



**Administrative outsourcing:** The PPP is required to serve as the 3(16) plan administrator and assume many of the administrative functions that would otherwise be typically borne by the participating employers if they instead sponsored a traditional single employer plan (e.g., determining eligibility, beneficiary tracking, and plan distributions).



**Increased effectiveness:** Participating employers are able to reduce the internal resources that they would otherwise allocate to the operations of a traditional single employer 401(k) plan allowing greater focus on core business functions.

### What to look out for: Ensuring the PEP is free from conflicts

PEPs must have an institutional trustee that is responsible for collecting contributions to the PEP and assuring that the PEP's assets are held in trust. In many instances, the PEP's sponsor may also be the PPP (or an affiliate). Since most PPPs are paid directly or indirectly by the PEP itself, an inherent conflict of interest exists when the PPP and the PEP sponsor are the same or affiliated.

Moreover, the PEP's sponsor and/or PPP may also be affiliated with various fund managers, creating an incentive to select proprietary investment products as investment options. (For example, Company X may serve as both the PEP sponsor and the PPP,

and the investment offerings under the PEP may be Company X offerings as well.) While historically such actions would be legally prohibited, some PEPs may be permitted to function in such a manner.

Nonetheless, even if not expressly prohibited, using a conflicted approach like this will almost certainly raise complex fiduciary issues that will need to be addressed. The PEP structure utilized by the RMS EasyPlan avoids these conflicts because the PEP sponsor and the PPP are completely independent, unrelated third parties. Under no circumstance will RMS EasyPlan or any of its affiliates receive any compensation from the PEP, the PPP, the investments, or any of the PEP's service providers; instead, RMS EasyPlan is paid a modest fee directly by participating employers.

<sup>\*</sup> Fiduciary services offered by MML Investors Services, LLC. Investment advisory services are offered through Investment Adviser Representatives of MML Investors Services.

MML Investors Services, LLC, 1295 State Street, Springfield, MA is a registered investment adviser and a MassMutual subsidiary. For information about MML Investors Services, contact your Investment Adviser Representative to request Part 2A and 2B of Form ADV.



## Summary

Retirement plans are an excellent way to attract and retain employees. Unfortunately, the costs associated with the creation, administration, and compliance of a tax qualified retirement plan can be onerous or even prohibitive for many businesses. The PEP structure was created to address these issues and allow businesses to offer the same high-quality retirement savings plans to their employees that much larger organizations have been able to offer without the high cost and fiduciary responsibilities that have traditionally applied.

	Traditional single employer 401(k) plan	RMS EasyPlan
<b>Plan sponsor</b>	<ul style="list-style-type: none"> <li>• Employer is the plan sponsor</li> <li>• Employer is responsible for the plan's documentary legal compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Access Retirement Solutions is the plan sponsor</li> <li>• Employer retains plan design flexibility; Alerus is responsible for the plan's documentary legal compliance</li> </ul>
<b>Named fiduciary and plan administrator</b>	<ul style="list-style-type: none"> <li>• Employer serves as the named fiduciary with responsibility over both plan administration and investment matters</li> </ul>	<ul style="list-style-type: none"> <li>• Alerus serves as the 3(16) plan administrator</li> <li>• MassMutual Plan Fiduciary Services serves as the discretionary 3(38) investment manager</li> </ul>
<b>Fiduciary responsibility for hiring investment advisor/manager</b>	<ul style="list-style-type: none"> <li>• Hiring an investment advisor/manager is a fiduciary act of the employer</li> </ul>	<ul style="list-style-type: none"> <li>• Participating employers have no responsibility for hiring an investment advisor/manager</li> </ul>
<b>Cost of 3(16) named administrator</b>	<ul style="list-style-type: none"> <li>• 3(16) fiduciary outsourcing for administration is usually an additional expense</li> </ul>	<ul style="list-style-type: none"> <li>• 3(16) fiduciary outsourcing for administration is standard with no additional expense</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• No price efficiency, limited to each employer's specific workforce and plan demographics</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency of pricing and process through combined plan demographics</li> </ul>
<b>Form 5500</b>	<ul style="list-style-type: none"> <li>• Employer is responsible for filing its plan's Form 5500</li> </ul>	<ul style="list-style-type: none"> <li>• Alerus is responsible for filing the PEP's Form 5500</li> </ul>
<b>Plan audit</b>	<ul style="list-style-type: none"> <li>• Employer is responsible for its plan's annual audit and generally the associated cost</li> </ul>	<ul style="list-style-type: none"> <li>• Alerus is responsible for the PEP's annual audit (if any) and costs are shared among the universe of PEP plan participants</li> </ul>
<b>Fidelity bond</b>	<ul style="list-style-type: none"> <li>• Employer is responsible for required fidelity bond</li> </ul>	<ul style="list-style-type: none"> <li>• Alerus is responsible for required fidelity bond</li> </ul>
<b>Fiduciary responsibility</b>	<ul style="list-style-type: none"> <li>• Employer typically retains ultimate responsibility for all fiduciary functions</li> </ul>	<ul style="list-style-type: none"> <li>• Limited investment, operational, and fiduciary liability</li> </ul>









To learn more about RMS EasyPlan, please  
contact your financial advisor.

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