



# The TAG 401(k) Advantage Multiple Employer Plan

Guide for Understanding



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This guide was developed to help businesses understand what a Multiple Employer Plan (MEP) is, the benefits of adopting the TAG 401k Advantage Multiple Employer Plan (TAG MEP), and the potential cost savings that can be realized by your business.

### What is a Multiple Employer Plan?

A Multiple Employer Plan, known as a MEP, is a retirement savings structure that enables multiple businesses to offer a retirement plan controlled by a single qualified plan.

### What is a Multiple Employer Plan Sponsor?

The Multiple Employer Plan Sponsor, known as a MEP Sponsor, is the organization that holds the MEP master contract under which the Adopting Employers may adopt a retirement plan. Traditionally, the role of the MEP Sponsor was served by a Professional Employer Organization (PEO), or a professional association.

### Retirement Plans are Important

Employees value working for an employer with a retirement plan in place.

In fact, 47% of full-time employees said they'd prefer a job with excellent retirement benefits with minimum salary requirements vs. a higher salary with poor retirement benefits.

This statistic reveals an important point: Employees place a high value on retirement benefits and consider a retirement plan to be a vital part of their overall compensation package.

## The Benefits of Adopting a MEP

### Cost Savings

- No billables to the employer.\*
- No annual fees or incidental costs to the employer.\*
- Audit included for all plans with over 100 eligible employees participants.
- No set up fee.\*

### Fiduciary Risk Mitigation

- TAG Resources, LLC serves as the Plan Administrator under ERISA 3(16). This role has discretionary authority over the day to day duties and certain aspects of a qualified plan.
- 401(k) Advantage, LLC is the named fiduciary and Plan Sponsor. The named fiduciary has the discretion over the disposition of plan assets, plan operations, appointment of other fiduciaries and hiring/firing of service providers.
- Compass EMP serves as the third party Investment Manager under ERISA 3(38). In this role, Compass EMP has absolute discretion over the investment offerings.

## Cost Saving Benefits

One of the most compelling benefits your business will realize by adopting the plan is the cost savings. Let's take a look at the savings when comparing the hard costs your business may have when operating a single employer plan on your own outside of a MEP.

### Audit Costs:

Large employers with single employer plans, in particular, will benefit from this cost savings. The law requires that 401(k) retirement plans with more than 100 participants be audited annually. An independent, qualified public accountant must conduct an audit of the plan's financial statements, including review of the plan's Form 5500, schedules, internal control practices, and other information. This audit alone can potentially cost more than \$5,000.00 each and every year.

### Document Preparation Costs:

When a business offers certain single employer retirement plans such as a cross-tested or new comparability plan, plan

documents must be professionally drafted, typically by an attorney. For an individually drafted retirement plan, outside of a MEP, your business must pay to have the plan drafted, then as laws and regulations change over the years, modifications to the original plan must be made by restating the plan documents. This maintenance can be expensive over time.

### Compliance Testing Costs:

Most non-safe harbor 401(k) retirement plans must pass rigorous nondiscrimination tests annually to ensure that the plans are not discriminatory, and continue to qualify for tax advantaged status. Under a single employer plan, a plan sponsor must pay a recordkeeper or a third party administrator (TPA) to handle this ongoing testing work. These costs can potentially be several thousand dollars per year. Mid-year testing is available at no additional cost.

### Form 5500 Filing Costs:

Each year, pension and welfare benefit plans are required to file an annual report regarding their financial condition, investments, and operations. This annual reporting requirement is generally satisfied by filing the Form 5500. For a single employer plan, outside of a MEP, your business will need to pay to handle this filing. These costs can be several hundred dollars or more per year.

### Quarterly Participant Statement:

Beginning in 2007, participants in defined contribution plans, who have the right to direct their investments, were required to be provided with quarterly statements. The plan sponsor of a single employer plan may need to pay an outside service provider to produce and distribute these mandatory statements, and are charged for the printing, handling, and postage costs for each participant. This can potentially cost over \$500.00 per quarter.

### Investment Underwriting:

The TAG MEP reflects the combined assets of all its Adopting Employers, and using that buying power can generally obtain lower fees, more services, and a more diverse investment choice offering than a small single employer plan.

\*There is a one-time set-up fee of \$1,000 for plans under \$250,000 in assets. There is an annual fee of \$1,000 for plans under \$250,000 in assets. There is an annual \$50,000 minimum flow requirement for plans \$250,000 to \$500,000 in assets. Plans that do not meet this flow requirement are subject to a \$1,000 fee.

## Administrative Offload

A major consideration that is critical to every business is the amount of time allocated to non-revenue generating activity like employee related paperwork. Underestimating the administration time required to properly operate a 401(k) plan is a common mistake. By adopting a MEP, the Adopting Employer can avoid a significant number of tasks including, but not limited to:

- Annual and mid-year nondiscrimination testing
- Employee eligibility tracking
- Contribution limit tracking
- Contribution remittances
- Payroll processing
- Distribution processing
- Distribution of participant statements
- Investment reviews
- Loan processing
- Compliance and legislative supervision
- Form 5500 filing

Consider the amount of time someone in your company might spend on these tasks, and away from normal responsibilities. Most businesses find that adopting a MEP saves them both money and time.

## Fiduciary Responsibilities

*What does the term fiduciary responsibility mean?* It can best be thought of as “acting in the best interest of the employee” or as a trustee. In this role, imposed by law, the business owner has voluntarily agreed to act as the trustee for his or her employees in regard to their rights, benefits, and retirement plan assets.

The fiduciary has a legal obligation to carry out its plan responsibilities with the highest degree of prudence, good faith, honesty, integrity, service and undivided loyalty to the beneficiaries’ interest. In this example, the retirement plan participants. This good faith has been interpreted to impose an obligation to act reasonably in order to avoid negligent handling of the plan participants’ interest, as well as the duty to not favor anyone’s interest (including the trustees own interest) over the plan participants.

## Plan Design Costs

Plan design can be complex and often requires an experienced professional to develop a plan design that will suit each company’s employee demographics and meet their goal for establishing the retirement plan.

Plan design includes analyzing demographics to determine the best options for employee eligibility, vesting schedules, contribution types, both for the employer and employee, nondiscrimination testing, benefit payments, loans, withdrawals, and how plan fees will be handled.

Alternatives must be considered based on the unique aspects of your business. This includes in-depth analysis in determining which plan type best suits your business’ needs. Should you adopt a cross-tested or age-weighted plan, a profit sharing only plan, a profit sharing with 401(k), a 401(k) with an automatic enrollment feature, a safe harbor plan, or some other type of plan?

Your business won’t lose any of these critical plan design alternatives—in fact, the TAG MEP enables you to take advantage of the plan efficiency, without sacrificing the myriad of plan design alternatives available under a single employer plan.

*How is the TAG MEP different?* In most cases, adopting a MEP will result in the trustee receiving fiduciary support in the area of selecting and monitoring the plan’s investment menu which is managed by the MEP Sponsor. However, the subadopter functions, in the trustee role, as the named fiduciary and still has all the liability associated with running the plan. Many companies may not have the resources to manage a retirement plan from a fiduciary standpoint.

The named fiduciary, 401(k) Advantage, LLC, assumes the risk and liability associated with the trustee role and removes every adopting employer from the liability associated with that role.

## Participant Education Support

By joining, you will also have access to an arsenal of tools and resources to enroll and educate your employees and participants.

Pre-Enrollment Materials such as:

- Educational payroll stuffers
- Enrollment workshop posters, and
- Educational posters

Enrollment Tools such as:

- Enrollment kits
- Enrollment workshops
- Enrollment videos
- Enrollment workshop conference calls
- Online enrollment workshops, and
- Online enrollment

Investment Education & Planning Tools are available such as:

- Employee educational seminars
- Participant Web site
- Retirement Planning Assessments
- Investment Fact Sheets
- Participant newsletters
- E-Tips and more.

Many more tools are at your disposal, and several are in both English and Spanish.

### About TAG Resources, LLC

TAG Resources, LLC (“TAG”) is a retirement services company, based in Knoxville, Tennessee. TAG is an industry leader in fiduciary risk mitigation and operates the largest open MEP (multiple employer plan) in the United States. TAG’s 401(k) Advantage MEP Solution is distributed exclusively through Transamerica Retirement Services.

### About Transamerica Retirement Services

Transamerica Retirement Services<sup>2</sup> (“Transamerica”) is a top retirement plan provider<sup>3</sup> with more than 15,500 retirement plans, totaling more than \$19.5 billion in assets.<sup>4</sup> Specifically, Transamerica has nearly a decade of experience in servicing Multiple Employer Plan Sponsors,<sup>5</sup> and retains thousands of Adopting Employers.<sup>5</sup>

**Transamerica Financial Life Insurance Company and Transamerica Life Insurance Company are affiliates of Diversified Investors Securities Corp. Securities are offered by Diversified Investors Securities Corp. (DISC), 440 Mamaroneck Avenue, Harrison, NY 10528.**

1. The 11th Annual Transamerica Retirement Survey was conducted online within the United States by Harris Interactive® on behalf of Transamerica Center for Retirement Studies® between December 3, 2009 and January 18, 2010 among 3,598 full-time and part-time workers. Potential respondents were targeted based on job title and full-time and part-time status. Respondents met the following criteria: All U.S. residents, age 18 or older, full-time workers or part-time workers in for-profit companies, and employer size of 10 or more. Results were weighted as needed for the number of employees at companies in each employee size range. No estimates of theoretical sampling error can be calculated; a full methodology is available.
2. Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), 440 Mamaroneck Avenue, Harrison, New York 10528, and Transamerica Life Insurance Company ("TLIC"), 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. This product is available from Transamerica Retirement Services under contract form number TA-AP-2001-CONT, a group variable annuity contract underwritten by TFLIC, or under contract form number CNT-TLIC 10-05, a group variable annuity contract underwritten by TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Fees and charges may apply. For complete information, contact your Transamerica representative.
3. Transamerica Retirement Services received 43 "Best in Class" cups for sponsor and participant services in PLANSPONSOR® Magazine's annual Defined Contribution Survey of retirement plans. The 43 "Best in Class" designations—23 in the micro (<\$5 million) and 20 in the small (\$5 million to \$50 million) markets—rank Transamerica Retirement Services among the top cup recipients of the 46 providers evaluated in the micro- and small-plan markets. The results of the Defined Contribution Survey were announced in the November 2009 issue of PLANSPONSOR® Magazine. The survey polled nearly 5,635 clients of 48 defined contribution plan providers. "Best in Class" cups are awarded to plan providers who score in the top quartile of a specific category. See the November 2009 issue of PLANSPONSOR® Magazine for complete results.
4. As of December 31, 2009.
5. Transamerica Retirement Services has more than 70 years of experience in the retirement services business and is the top provider of retirement plans, including eight years serving Multiple Employer Plans (MEPs). Transamerica retains over 6,000 Adopting Employers as of December 31, 2009.

