



Association Retirement Plans

COURSE 101 – RETIREMENT PLAN BASICS



U.S. Chamber of Commerce





What You Will Learn

- Understand basic retirement plan terminology
- Understand the retirement plans/programs and structures available to small businesses
- Understand how each of these programs is offered and delivered
- Understand key players in retirement plans and their roles
- Be able to articulate the questions to address to determine whether to offer a retirement program and what type of program might best appeal to member companies





Outline

- Key Advantages of Offering a Retirement Program
- Key Responsibilities of Chambers and Employers
- Retirement Plan Programs and Structures for Small Employers
- Defined Contribution Plan Basics
- Parties Involved in Offering Retirement Plan Programs and Administrative Models
- Key Questions to Address Before Offering a Retirement Plan Program



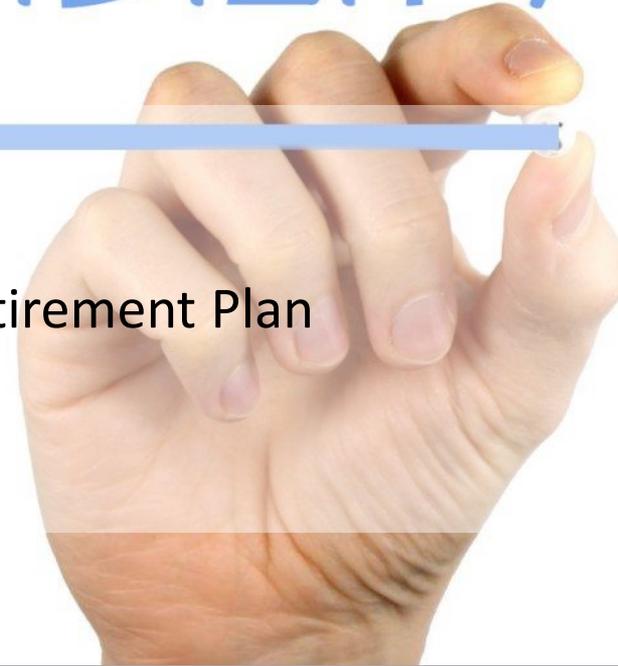


Local Chambers can use their collective buying power to offer a more cost effective and easier to administer retirement plan to members.



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RESPONSIBILITY

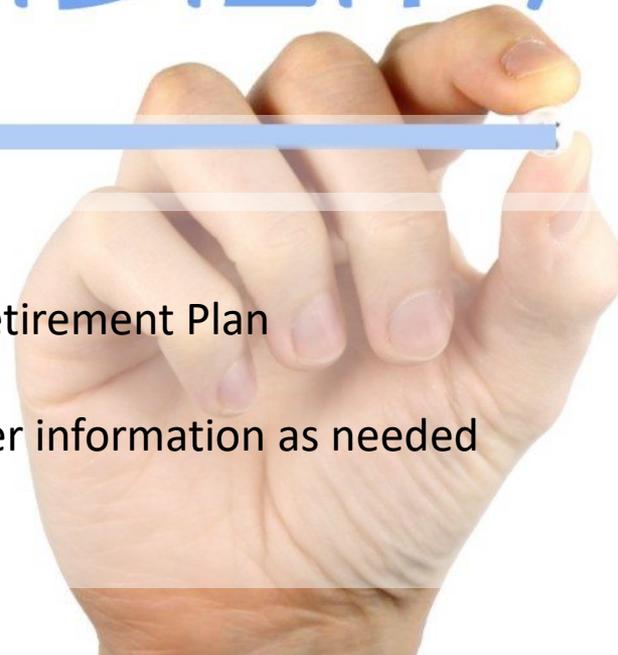


Role of a Chamber

- 1) Act as the plan sponsor for the Association's Retirement Plan
- 2) Determine the plan design
- 3) Act as the named fiduciary to the plan
- 4) Hire and monitor plan service providers



RESPONSIBILITY



Role of an Employer

- 1) Decide to offer a retirement plan
- 2) Decide to offer a retirement plan through an Association Retirement Plan
- 3) Make timely employee and employer contributions
- 4) Provide data for audits, non-discrimination testing and other information as needed by the plan.
- 5) Monitor the Association as plan sponsor



Retirement Plan/Programs and Structures for Small Employers

Types of Retirement Programs / Plans

- Payroll Deduction IRAs
- SEPs
- SIMPLEs
- Defined Contribution (e.g. 401(k)) Plans

Retirement Plan Structure

- Single Employer Plan
- Closed MEP/ARP
- PEP



Single Employer Programs

PLAN TYPE	PAYROLL DEDUCTION IRAS	SEPS	SIMPLE	Defined Contribution (e.g. 401(K))
DESCRIPTION	A Payroll Deduction IRA is an arrangement that allows employees to contribute to an Individual Retirement Account through their employer. Any employer can choose to set up a Payroll Deduction IRA. Employee contribution limits are much lower than defined contribution plans. No employer contributions.	A Simplified Employee Pension IRA, or SEP IRA, is a type of traditional IRA that lets self-employed people and small-business owners save up to \$57,000 in 2020 toward retirement on a tax-advantaged basis.	SIMPLE IRA stands for Savings Incentive Match Plan for Employees Individual Retirement Account. It is a type of IRA that requires employer contributions and also allows employees to contribute on a tax-advantaged basis.	A defined contribution plan allows employers to make tax advantaged contributions for employees (e.g. profit sharing, non-elective and/or matching contributions) and allows employees to contribute a portion of their pay on a tax-advantaged basis.
Suitability	Employers seeking minimal involvement in retirement plan administration	Self-employed or with few employees where only employer contributions are wanted	Employers with less than 100 employees	Employers of all sizes



Multiple Employer Programs

PLAN TYPE	ARP	PEP
DESCRIPTION	An association may sponsor a defined contribution Association Retirement Plan (ARP) if the member employers share a geographic region or are in the same industry, trade or profession and, among other requirements, the employer members that participate in the plan control some decisions regarding the plan. Special rules apply to professional employer organizations (PEOs).	In a Pooled Employer Plan (PEP), the Pool Plan Provider (PPP) acts as the named fiduciary, plan administrator and person responsible for performing all administrative duties of a defined contribution plan. Unrelated employers can join a PEP. PEPs will be available starting in 2021.
Suitability	Members of an industry association, geographically based association or customers of a PEO	Any employer eligible to offer a 401(k) plan



MEPs / ARPs

For both Employers & Employees



Employer Pros

- Lowers administrative burdens and costs
- Lowers investment costs
- Lowers level of fiduciary liability
- Offers ability to work with a local chamber or trade association

Employer Cons

Compared to single employer plans:

- Limited flexibility in plan design
- Limited flexibility in investment options

Employee Pros

- Access to defined contribution (e.g. 401(k)) plan
- Lower costs
- Plan features and education tailored to geography or industry

Employee Cons

- Limited investment options



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PEPs

For both Employers & Employees



Employer Pros

- Lowers administrative burdens and costs
- Lowers investment costs
- Lowers level of fiduciary liability

Employer Cons

Compared to single employer plans:

- Limited flexibility in plan design
- Limited flexibility in investment options
- Employer remains plan sponsor for their employees
- Employer must monitor PPP and other fiduciaries
- Employer is responsible for investment decisions unless PPP has designated that authority to another entity

Employee Pros

- Access to defined contribution (e.g. 401(k)) plan
- Lower costs
- Access to PPP resources

Employee Cons

- Limited investment options



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Defined Contribution Plan Basics

- Employer “defines” the amount of the contribution that the employer will provide
- Employer contributions can be mandatory or permissive
- 401(k) plans are a type of defined contribution plan, which allow for employee contributions on a pre-tax basis and, if provided under the plan, employer matching contributions
- Plans are subject to non-discrimination testing so that contributions do not favor highly compensated individuals, with special rules for 401(k) plans and matches
- Safe harbor designs are available with respect to non-discrimination testing
- Individual accounts may be invested by the plan fiduciary or “self-directed” by the participant



Roles Played by the Vendor Community

The Roles Include:

1. Advisors – provide plan consulting and investment advice to employers and sometimes to participants
2. Asset Managers – manage plan investments
3. Insurers – offer annuities and other insurance products
4. Recordkeepers – provide accounting for participants and participant services (including website)
5. TPAs – perform compliance-related and other services
6. Trust Companies and Custodians – responsible for safekeeping of plan assets



Administrative Models Offered by the Vendor Community



The Model Types Include:

1. Bundled Programs – all services, including fiduciary services performed by one vendor or contracted through one vendor
2. Partially Bundled Programs – some services performed by or contracted through one vendor
3. Unbundled Programs – separate vendors contracted for each service



Key Questions

Before you get started you should ask these questions

- How many member companies offer retirement programs today? If they have a single employer program would they prefer to convert to a multiple employer program?
- For member companies without a retirement plan, are they interested in offering one?
- Do they prefer single employer or multiple employer program types?
- Which type of plan features offer the most appeal, e.g. elective deferral only, employer match, safe harbor plan?
- What do they want their duties and responsibilities to be?





What You Learned

- Key roles and responsibilities
- The retirement programs and structures available to small businesses
- The key parties servicing retirement plans and their roles
- Key questions to ask before offering an Association Retirement Plan and what might best appeal to your chamber members





Thank You

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Appendix

Resources for Retirement Terminology

- [IRS 401\(k\) Glossary](#)
- [BLS Glossary of Employee Benefit Terms: Retirement Plans](#)
- [FINRA 401\(k\) Glossary](#)
- [DOL Small Business Retirement Savings Advisor](#)

