

Leveraging Multiple Small Employer Plans to Close the **Retirement Coverage Gap**

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Closing the Retirement Coverage Gap

The market turbulence of the past eighteen months has undeniably demonstrated the need for greater retirement security. As a result of nearly unprecedented market volatility, many American workers are facing the stark reality of having to work longer, attempting to re-enter the workforce after retiring, or accepting decreased standards of living in retirement. In short, change is needed.

Debates about how to fix or enhance workplace retirement plans abound. But there is a more critical, albeit less reported, issue facing 78 million Americans: a lack of access to a workplace retirement savings plan. This is even greater than the number of Americans who lack health care coverage, an issue that has consumed resources in Washington of late.

There is no one solution that will completely solve this country's retirement coverage gap. But we believe there are several prominent ideas, including the recently proposed Automatic Individual Retirement Account (IRA), which together could help us take a significant step forward. This paper presents another idea, the Multiple Small Employer Plan (MSEP). We believe the MSEP should be offered as a complementary alternative to the Automatic IRA, allowing small employers to choose the appropriate option for their workforce.

MSEPs are designed to address concerns about costs and administrative burden—the two issues most cited by small employers that discourage them from offering a retirement plan. By allowing employers with fewer than 100 employees to pool their resources under a single plan, MSEPs could provide lower costs and simplified administrative requirements to sponsors. Participants would likewise benefit from cost savings via access to institutionally priced investments, as opposed to the retail offerings available in IRAs.

MSEPs also offer many of the best features of traditional defined contribution plans, including:

- Mandatory automatic enrollment, contribution escalation, and default investments into a Qualified Default Investment Alternative.
- Streamlined administration through standardized plan design and reporting.
- A named fiduciary for each plan to ensure it is managed in the best interest of its participants.

The pooling aspect of MSEPs would play a critical role in drawing existing recordkeepers and plan providers to the small end of the market, which they previously may have found uneconomical to serve. With this market generating \$1.4 trillion in annual payroll, the ability to serve it profitably could attract a significant number of plan providers.

In turn, small employers would be able to select the retirement offering and provider best suited to their employees. Participants would benefit from the price pressure that competition brings. And, perhaps most importantly, millions of Americans would finally receive access to a qualified workplace retirement plan.

Similar to the Automatic IRA, MSEPs require legislation to accelerate meaningful adoption. However, the urgent need to help close the coverage gap in this country demands action. We applaud Representative Ron Kind for recently reintroducing the Small Businesses Add Value for Employees ("SAVE") Act and leading the charge in these efforts. Now is the time to help restore Americans' faith in the U.S. retirement system—and that begins with access.

Respectfully,



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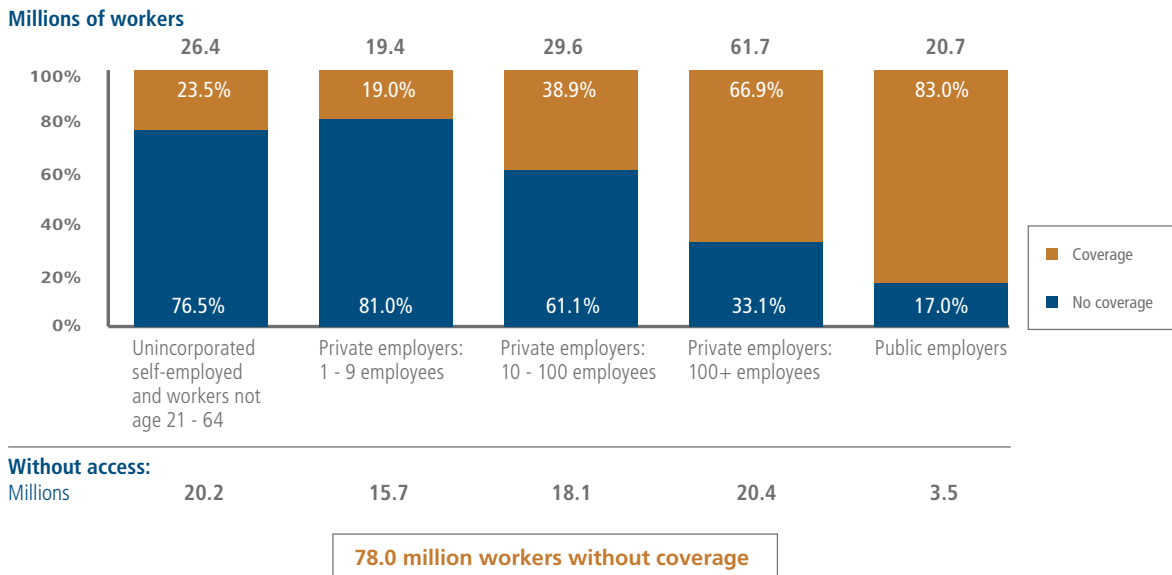
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Introduction

Conversations about how to bolster Americans' retirement security often focus on the need to encourage individuals to save more within workplace retirement plans such as 401(k)s or other defined contribution (DC) plans. However, a more basic problem confronts the 49% of workers, or 78 million individuals, who have no access at all to a workplace-based retirement plan.¹ This "coverage gap" is preventing nearly half the American workforce from beginning to systematically save and invest for retirement. According to a survey published in 2008 by Prudential, more than one-half of workers without access to a retirement plan have saved less than \$10,000 for retirement,² significantly lower than the average DC account balance of \$46,000.³ Left unaddressed, the coverage gap will result in many individuals entering retirement with insufficient savings to sustain their pre-retirement standard of living.

The lack of access to a workplace retirement plan is most acute among smaller employers, as shown in [Exhibit 1](#). Two-thirds of workers who work for private employers with more than 100 employees have access to a workplace retirement plan, compared to only 39% of those who work for employers with 10 - 100 employees, and 19% of those who work for employers with fewer than 10 employees. Moreover, because the average employee of an employer with fewer than 100 employees earns 23% less than the average employee of an employer with 500 or more employees,⁴ a disproportionate number of lower-paid Americans lack access to a workplace retirement plan. This is demonstrated by a recent GAO study that indicates that 62% of the lowest earning quartile of workers lack access to a workplace plan,⁵ as compared to the 49% that lack access across the entire working population.

Exhibit 1: Retirement Plan Coverage Across Workforce



Source: Employee Benefit Research Institute, Issue Brief No. 336, November 2009.

¹ Employee Benefit Research Institute, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2008," Issue Brief No. 336, November 2009, p. 8.

² Prudential Financial, "Saving for Retirement at Work: Employee and Business Reactions to an Automatic IRA Concept," January 2008, p. 7. Survey consisted of 531 employees who worked for employers that did not offer a retirement plan and whose household income was less than \$100,000.

³ As of December 31, 2008. Employee Benefit Research Institute, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2008," Issue Brief No. 335, October 2009, p. 15.

⁴ U.S. Census Bureau, "Statistics of U.S. Businesses." Calculation based on employers with less than 100 employees compared to those with 500 or more employees; 2006 data.

⁵ U.S. Government Accounting Office, "Automatic Enrollment Shows Promise for Some Workers, but Proposals to Broaden Retirement Savings for Other Workers Could Face Challenges," October 2009, p. 5.



Many small employers are reluctant to offer retirement plans because of concerns about cost and administrative overhead.⁶ The purpose of this white paper is to introduce a new solution, the Multiple Small Employer Plan (MSEP), which addresses these concerns to help close the coverage gap. The MSEP is based on a proposed set of enhancements to today's multiple employer plans (MEPs); MEPs enable groups of employers to join a single DC plan sponsored by an affinity group or similar organization. Although today's MEPs partially address the needs of small employers, further enhancements are needed to accelerate the adoption of qualified retirement plans across small employers.

The MSEP builds on today's MEPs by simplifying and strengthening these plans to better address the needs of small employers and their employees. This new solution is intended for employers with no more than 100 employees, who collectively generate \$1.4 trillion in annual payroll and employ nearly 50 million workers—of which more than 30 million lack access to a workplace retirement plan.⁷

The MSEP will open up new markets for financial services firms and DC recordkeepers, allowing them to utilize their existing investment platforms and retirement products to serve small employers. The pooling aspect of MSEPs may also attract new providers who previously found the smallest end of the market uneconomical to serve. As a result, the MSEP has the potential to significantly increase the number of retirement plan providers available to small employers.

The remainder of this paper explores the retirement plan objectives of small employers, describes how the MSEP can fulfill these objectives to help close the coverage gap, and details legislative and regulatory actions that can facilitate the adoption of MSEPs.

⁶ Prudential Financial, "Saving for Retirement at Work: Employee and Business Reactions to an Automatic IRA Concept," January 2008, p. 14.

⁷ U.S. Census Bureau, "Statistics of U.S. Businesses" 2006 data. Within this population, the MSEP is targeted for employees who have received at least \$5,000 in compensation from their employer in the previous year.

Understanding Small Employers' Retirement Plan Objectives

Today, small employers who would like to provide their employees with a retirement offering must choose between a 401(k) or similar plan and Individual Retirement Account (IRA)-based offerings. 401(k) plans can be heavily customized and usually provide access to institutionally priced, professionally managed investment products. However, these plans typically require substantial employer resources to administer and manage. IRA-based offerings are self-directed accounts that generally have lower employee contribution limits, are less customizable, and have higher investment fees than 401(k)s or similar plans.

These options force small employers to choose between plans that meet their needs but may be costly and hard to manage, and offerings that do not have all the capabilities they seek. Ideally, retirement plans would enable these employers to fulfill three primary objectives:

- **Reduce costs and administrative burden:** Most small employers do not have the time and resources to manage a complex retirement plan. A survey of small employers indicated that the most common reasons for not offering a retirement plan were concerns about cost (54%) and administrative overhead (43%).⁸
- **Provide better retirement outcomes for employees:** A recent survey indicated that 87% of small business owners agree that planning for retirement is an important issue for their employees.⁹ Workplace retirement plans help employees in achieving retirement security by encouraging them to begin saving for retirement in a cost-effective vehicle, offering access to diverse investments, and providing investor education.
- **Compete with larger companies for talent:** Small employers compete for talented employees with organizations of all sizes. Ninety percent of employees working for small employers consider a 401(k) or other employee self-funded plan to be an important benefit,¹⁰ and 61% said they would likely leave their job for one that offered retirement benefits.¹¹

⁸ SunTrust, "SunTrust Small Business Owners 401(k) Survey," 2009, p. 29.

⁹ SunTrust, "SunTrust Small Business Owners 401(k) Survey," 2009, p. 15.

¹⁰ Transamerica Center for Retirement Studies, "10th Annual Transamerica Retirement Survey: Employers—Strengthening Retirement Savings in a Weak Economy," April 14, 2009, p. 17.

¹¹ Transamerica Retirement Services, "Small Business Employees Significantly Trail Their Large Company Counterparts in Retirement Savings and Preparedness," April 30, 2007, p. 2.



New Options are Needed to Meet the Needs of Small Employers

An MEP is a qualified retirement plan in which two or more unrelated employers join together under a single plan. MEPs may be sponsored by an affinity group, trade association, or geographic organization. A participating employer or another fiduciary chooses a plan provider, selects an investment menu, and bears many of the same responsibilities that they would if offering a traditional 401(k) plan. As a result, today's MEPs place a significant burden on participating employers and other fiduciaries, and have been used infrequently to date.

MEPs can be enhanced to better meet the needs of small employers. The proposed MSEP is based on a modified version of the Savings Incentive Match Plan for Employees (SIMPLE) 401(k) plan structure.

The following are the key features and terms of the MSEP.

From the employer's perspective:

- Available only to participating employers with no more than 100 employees; more than one employer can participate in the plan.
- Each plan has a named fiduciary.
- No employer contributions required or permitted.
- Simpler plan design through required use of an Internal Revenue Service (IRS) model document.
- Non-discrimination testing not required.
- Simpler annual reporting, participant disclosure, and participant reporting through regulations to be issued by the U.S. Department of Labor (DOL).
- Investor education (e.g., asset allocation guidance, online calculators, and educational brochures) may be provided in ways that are cost effective and convenient for participants (e.g., e-delivery).
- Contributions for participants may default into a Qualified Default Investment Alternative (QDIA). QDIA fiduciary protections are available for contributions invested in a QDIA.

From the employee's perspective:

- Contributions made solely via employee salary deferral.
- Employees must have received at least \$5,000 in compensation from their employer in the prior year to participate.
- \$10,000 annual contribution limit, with adjustments by the IRS to reflect cost-of-living changes. No catch-up contributions permitted.
- Automatic enrollment of participants and automatic escalation of contributions.
- Contributions can be rolled into an IRA or other qualified retirement plan upon separation from employer.
- Participant loans are not permitted. Participant hardship distributions are limited to those falling under existing IRS safe harbor hardship standards.

Exhibit 2 provides additional details on the MSEP structure.

Exhibit 2: Overview of the Proposed Multiple Small Employer Plan (MSEP)

Segment served	<ul style="list-style-type: none"> • Small employers with no more than 100 employees
Plan structure	<ul style="list-style-type: none"> • Formed by affinity groups, trade organizations, or other organizations to group multiple employers • Established as a centrally administered trust with one plan provider to serve all participating employers • Named fiduciary will have full responsibility for the plan
Features	<ul style="list-style-type: none"> • Funded by employees only, with no matching employer contributions • Contribution limit of \$10,000 in 2010, with annual cost-of-living adjustments as determined by the IRS • No catch-up contributions • Automatic enrollment starts at a 3% contribution level with auto escalation up to 6% of salary; employees can opt out • No participant loans permitted • Hardship withdrawals permitted only under IRS safe harbor conditions • Can be rolled into an IRA or other qualified retirement plan upon separation from employer
Investment options and pricing	<ul style="list-style-type: none"> • Contributions for new participants can be defaulted into a QDIA that is a principal preservation product • After four years, contributions can be defaulted to another QDIA, such as a target-date fund • Low investment fees (e.g., may qualify for institutional pricing) • Greater possibilities for investor education (e.g., asset allocation guidance, online calculators, educational brochures)
Fiduciary and administrative responsibilities	<ul style="list-style-type: none"> • QDIA fiduciary protections are available for contributions invested in a QDIA • Non-discrimination reporting is not required • Simpler annual reporting, participant disclosure, and participant reporting through guidance to be issued by the DOL • Plan document based on IRS model, providing MSEP sponsors with a roadmap for plan design and implementation • New IRS regulations that would permit overall plans to remain “qualified” even if qualification violations by one or more participating employers takes place
Costs	<ul style="list-style-type: none"> • No employer contributions • Low administrative costs due to economies of scale and simplified plan design



The MSEP helps fulfill the primary objectives of small employers:

- **Reduce costs and administrative burden:** The MSEP eliminates the time-consuming administrative features of traditional 401(k) plans, such as participant loans and employer contributions. Administrative costs are further minimized because employers benefit from the economies of scale achieved by joining a single larger plan instead of managing their own plan. Finally, funding costs are eliminated because employer contributions are not required or permitted.
- **Provide better retirement outcomes for employees:** The MSEP helps workers prepare for a secure retirement in three ways. First, the MSEP encourages savings through automatic enrollment and automatic contribution escalation. Second, the MSEP guides appropriate investment behavior by providing investment defaults. Contributions for new participants can be defaulted into a QDIA that is a principal preservation product, such as a stable value fund; after four years, contributions can be defaulted into another QDIA, such as a target-date fund. This approach ensures that newer participants will not be exposed to fluctuations in their account values, and will remain motivated to continue participating. QDIA fiduciary protections are also available for contributions invested in a QDIA. In addition, with the advantage of pooled resources, MSEPs have greater possibilities to provide investor education in cost-effective ways that are convenient to participants. Finally, MSEPs are portable, meaning that employees are able to roll their accounts into an IRA or other qualified retirement plan upon separation from their employer.
- **Compete with larger companies for talent:** The MSEP enables small employers to offer their employees a tax-advantaged way to save for retirement. These qualified plans would include many of the same features found in 401(k) plans offered by larger employers, such as default investments, automatic enrollment and contribution escalation, and, most likely, investor education. The pooling aspect of MSEPs could also enable smaller employers to offer their employees access to institutionally priced investment products.

Multiple Small Employer Plans: An Innovative Solution

The MSEP is being introduced to enable small employers to offer their employees a qualified retirement plan that has many of the advantages of a traditional 401(k) plan, but that is substantially easier and less expensive to implement and maintain. In order to assess whether the MSEP achieves this goal, this section compares the MSEP to the other retirement offerings available to small employers, namely IRA-based offerings, such as the SIMPLE IRA and the Simplified Employee Pension (SEP) IRA, 401(k)s and similar plans.

This comparison also includes the Automatic IRA, a recent proposal which would enable employees at small employers to contribute to IRA accounts through automatic payroll deductions.

Exhibit 3 compares the full range of small employer retirement offerings from an employee's perspective.



Exhibit 3: Comparison of Retirement Plan Offerings from an Employee's Perspective

	IRA-based		401(k)-based		
	Automatic IRA (proposed)	SIMPLE IRA and SEP IRA	Multiple Small Employer Plan (proposed)	SIMPLE 401(k) Plan	Traditional 401(k) Plan
Plan Setup					
Plan structure	<ul style="list-style-type: none"> Not a plan; employer acts as forwarding agent 	<ul style="list-style-type: none"> Employer sponsored IRA based design 	<ul style="list-style-type: none"> Employers join MSEP sponsor's plan 	<ul style="list-style-type: none"> Employers are the plan sponsors 	<ul style="list-style-type: none"> Employers are the plan sponsors
Contributions and Savings					
Source of funding	<ul style="list-style-type: none"> Employee only 	<ul style="list-style-type: none"> SIMPLE IRA: employee and employer SEP IRA: employer only 	<ul style="list-style-type: none"> Employee only 	<ul style="list-style-type: none"> Employee and employer 	<ul style="list-style-type: none"> Employee; employer optional
Employee contribution limit (2010)	<ul style="list-style-type: none"> \$5,000 with catch-up of \$1,000 	<ul style="list-style-type: none"> SIMPLE IRA: \$11,500 with catch-up of \$2,500 SEP IRA: not applicable 	<ul style="list-style-type: none"> \$10,000 with no catch-up 	<ul style="list-style-type: none"> \$11,500 with catch-up of \$2,500 	<ul style="list-style-type: none"> \$16,500 with catch-up of \$5,500
Automatic enrollment and escalation	<ul style="list-style-type: none"> Auto enrollment availability mandated; employee can opt out 	<ul style="list-style-type: none"> SIMPLE IRA: availability optional SEP IRA: not applicable 	<ul style="list-style-type: none"> Auto enrollment and escalation availability mandated; employee can opt out 	<ul style="list-style-type: none"> Availability optional 	<ul style="list-style-type: none"> Availability optional
Loans/hardship withdrawals	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No participant loans Hardship withdrawals permitted that meet safe harbor criteria 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Investments and Fees					
Investment selection	<ul style="list-style-type: none"> Wide selection driven by IRA provider; defaults to pre-determined selection 	<ul style="list-style-type: none"> Wide selection driven by IRA provider 	<ul style="list-style-type: none"> Allows defaults to principal preservation products and QDIAs 	<ul style="list-style-type: none"> Wide selection driven by employer; allows defaults to QDIAs 	<ul style="list-style-type: none"> Wide selection driven by employer; allows defaults to QDIAs
Investment management and administrative fees (to participant)	<ul style="list-style-type: none"> Retail; some defaults may have institutional pricing Administrative costs potentially high because of separately held accounts; participant may pay account fees 	<ul style="list-style-type: none"> Retail pricing Administrative costs potentially high because of separately held accounts; participant may pay account fees 	<ul style="list-style-type: none"> May qualify for institutional pricing Administrative costs low because of economies of scale and simplified structure 	<ul style="list-style-type: none"> May qualify for institutional pricing Administrative costs moderate because of simplified structure but possibly offset by lack of scale 	<ul style="list-style-type: none"> May qualify for institutional pricing Administrative costs moderate because of economies of scale but possibly offset by customized plan features

The MSEP includes many of the same features of more sophisticated 401(k) plans, and helps put participants on the path to a secure retirement by:

- **Promoting savings:** Participants are encouraged to save within a MSEP up to the annual contribution limit of \$10,000. As shown in [Exhibit 3](#), this level is higher than that of IRA-based plans and slightly lower than that of SIMPLE or traditional 401(k) plans. Furthermore, the MSEP mandates automatic enrollment and automatic contribution escalation. These features are only found in the 401(k) plans that voluntarily offer them. The Automatic IRA may include automatic enrollment, but not automatic escalation, as a mandatory feature. As with other plans that offer automatic features, participants in MSEPs will retain the ability to opt out if they so choose.
- **Encouraging appropriate investment behavior:** The MSEP adopts the best attributes of 401(k) plans, such as default investments and, most likely, investor education. These features help ensure employees are appropriately invested according to their risk tolerance and time horizon. Such features are typically unavailable in IRA-based plans, which often require employees to choose their own investments. Defaulting contributions for new participants into principal preservation products will ensure they are not exposed to fluctuations in account values, and will help motivate these participants to continue saving. In addition, MSEPs enable small employers to pool their resources, which increases the feasibility of delivering investor education in ways that are both cost effective to plan sponsors and convenient to participants.

- **Reducing costs borne by the employee.** MSEPs enable small employers to pool their purchasing power to provide their employees with access to the institutionally priced investment products that are available in some 401(k) plans. Institutionally priced investment products are usually not available in SIMPLE 401(k) plans or IRA-based plans. In addition, employees can potentially benefit from lower administrative costs than 401(k) or IRA-based plans because of the economies of scale achieved by having multiple employers join a single plan.

Finally, as in other 401(k) based plans, the MSEP provides participants with the protection of a named fiduciary to ensure that the plan is implemented and managed with the participants' best interests in mind.

[Exhibit 4](#) compares the retirement offerings from an employer's perspective.



Exhibit 4: Comparison of Retirement Plan Offerings from an Employer's Perspective

	IRA-based		401(k)-based		
	Automatic IRA (proposed)	SIMPLE IRA and SEP IRA	Multiple Small Employer Plan (proposed)	SIMPLE 401(k) Plan	Traditional 401(k) Plan
Resources Required					
Administrative responsibilities	<ul style="list-style-type: none"> Minimal No annual return (Form 5500) No non-discrimination testing No loans No hardship withdrawals 	<ul style="list-style-type: none"> Minimal No annual return No non-discrimination testing No loans No hardship withdrawals 	<ul style="list-style-type: none"> Minimal Simplified annual reporting No non-discrimination testing No loans Hardship withdrawals permitted that meet safe harbor criteria 	<ul style="list-style-type: none"> Minimal/moderate Annual reporting No non-discrimination testing Loans Hardship withdrawals 	<ul style="list-style-type: none"> Moderate Annual reporting Non-discrimination testing Loans Hardship withdrawals
Administrative costs	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Low 	<ul style="list-style-type: none"> Low/moderate Economies of scale for multiple employers 	<ul style="list-style-type: none"> Moderate 	<ul style="list-style-type: none"> Moderate/high Economies of scale for large employers
Fiduciary responsibilities	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> Limited 	<ul style="list-style-type: none"> Moderate MSEP sponsor responsible for choosing and monitoring provider and its services, fees, and investment options Employer not responsible for other participating employers Model plan documents provide a roadmap for plan design and implementation 	<ul style="list-style-type: none"> Moderate/high Employer responsible for investment selection including defaults, and choosing and monitoring provider 	<ul style="list-style-type: none"> Moderate/high Employer responsible for investment selection including defaults, and choosing and monitoring provider
Funding costs	<ul style="list-style-type: none"> No employer contributions 	<ul style="list-style-type: none"> Mandatory employer contributions 	<ul style="list-style-type: none"> No employer contributions 	<ul style="list-style-type: none"> Mandatory employer contributions 	<ul style="list-style-type: none"> Optional employer contributions

The MSEP achieves the goal of providing employers with a qualified retirement plan option that is relatively easy to implement and maintain through:

- **Streamlined plan administration:** MSEPs do not require non-discrimination testing or the maintenance of vesting schedules because employer contributions are not permitted, and automatic enrollment and automatic contribution escalation are mandated. Plan administration is further streamlined by eliminating participant loans and only allowing hardship withdrawals that meet safe harbor criteria. These features frequently consume significant resources for employers who offer 401(k) plans. The MSEP will still require some annual reporting for each participating employer; however, the reporting will be streamlined as compared to traditional and SIMPLE 401(k) plans. All other reporting and administrative requirements are similar to those of IRA-based plans.
- **Lower costs:** Economies of scale are achieved by having many employers pool their resources in one plan. As a result, the administrative costs for employers participating in a MSEP are expected to be slightly higher than an IRA-based plan, lower than a SIMPLE 401(k) plan, and substantially lower than a traditional 401(k) plan. Employer costs are further minimized through the elimination of employer contributions.

- **Simplified fiduciary responsibility:** Each MSEP will require a named fiduciary similar to other 401(k) plans. However, the DOL is being asked to issue guidance clarifying that fiduciary responsibilities are limited to prudently selecting and monitoring a MSEP provider and its services, fees, and investment options. As a result, employers participating in MSEPs will have greater certainty about their fiduciary responsibilities than they would if they offered a traditional or SIMPLE 401(k) plan.

The MSEP will provide employers with 100 or fewer employees with a new and compelling option for inexpensively and easily offering a robust retirement plan that is comparable to the plans offered by much larger employers.



Facilitating Adoption Through Legislative and Regulatory Actions

More than 75% of adults say that helping people save for retirement should be a high-priority issue for Congress and the President.¹² Current regulations already provide a framework for the MSEP. However, additional legislation that directs regulatory actions by the DOL and IRS is necessary to support the formation of the MSEP and its adoption by small employers. **Exhibit 5** outlines these legislative and regulatory actions.

Exhibit 5: Legislative and Regulatory Actions Necessary to Establish the MSEP		
	Current MEP	Proposed Legislation to Effect Regulatory Changes
Plan design	Plan sponsor is required to make plan design decisions regarding contribution types and levels, plan features (e.g., participant loans and hardship distributions), and choice of plan document	Minimize plan design decisions by requiring automatic enrollment and escalation, requiring use of a model plan document developed by the IRS, and prohibiting participant loans, hardship distributions (other than those made under an existing IRS safe harbor), employer contributions, and employee catch-up contributions
Administrative responsibilities	Plan administrator is required to file full annual return (Form 5500), distribute a detailed summary plan description, and provide quarterly participant statements	Direct the DOL to issue regulations providing simplified alternatives for MSEP plan administrators to satisfy their duties to file an annual return and provide summary plan descriptions and participant statements
Fiduciary risks	Plan fiduciary bears fiduciary responsibility for selection of MEP provider, plan investment options, and investments when a participant provides no investment direction	Direct the DOL to clarify the nature of fiduciary responsibilities of participating employers and other designated fiduciaries. Direct the DOL to amend the QDIA regulations to include principal preservation products for the first four years of plan participation
Tax risks	Noncompliance by a single participating employer potentially jeopardizes tax-exempt status of entire plan with loss of tax benefits by other participating employers and their employees	Direct the IRS to issue regulations that insulate compliant participating employers and their employees from harmful effects of noncompliance by other employers

¹² AARP Knowledge Management, "Opinion Research on Retirement Security and the Automatic IRA," September 30, 2009, p.2.

Conclusion

The fact that nearly one-half of the U.S. workforce lacks access to a workplace retirement plan is a major deficiency in today's retirement system that should be quickly addressed. The MSEP is an innovative solution to increase retirement coverage across more than 30 million individuals working for small employers that do not offer a retirement plan today.

By providing an opportunity to utilize the existing capabilities of established financial services organizations and recordkeepers, the MSEP will attract many of these firms to the small end of the market. Providers will benefit from access to new markets, while small employers and their employees will benefit from expanded choice and access to new solutions. The ability to offer a qualified retirement plan will help strengthen small employers, and enhance their employee value propositions.

Most importantly, the MSEP will provide individuals who lack access to a workplace retirement plan with the opportunity to participate in an offering with many of the features and advantages of today's best designed retirement plans.

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