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3 Ways Pooled Plans Free Up 401k Plan Sponsors’ Time

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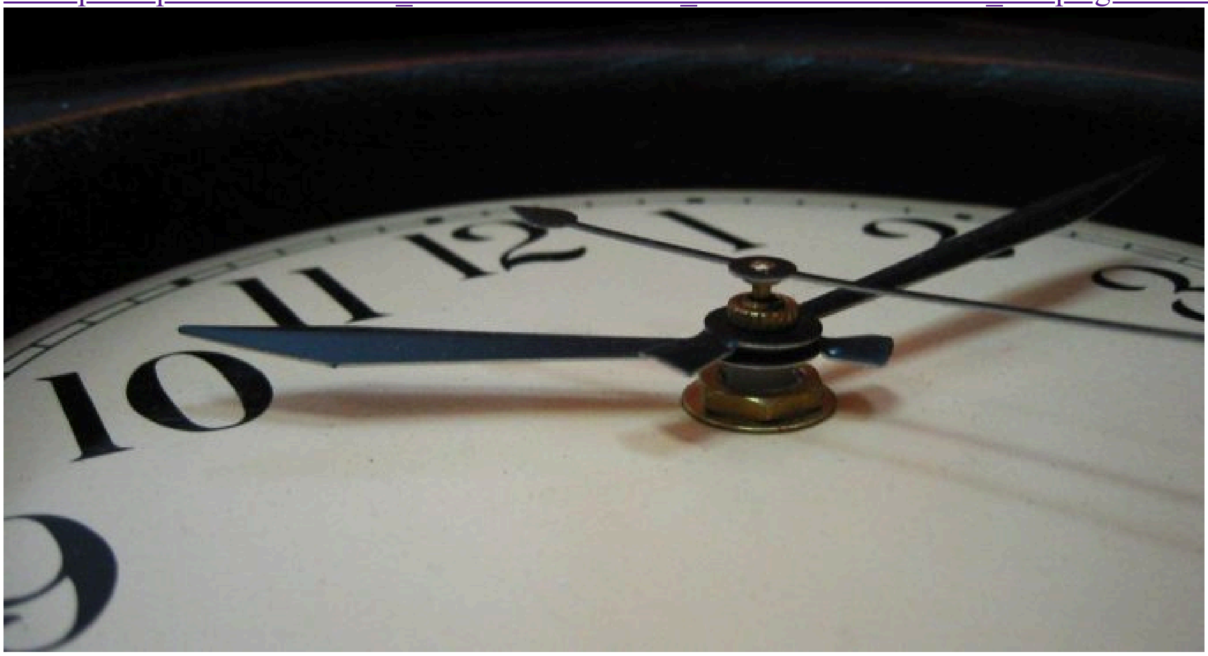

Some may question the benefits of pooled 401k plans, but for plan sponsors pooled plans offer something that means a lot to them. Delegating retirement plan duties frees up their time so they can focus their attention on what matters most to them: increasing company revenues.

“A pooled plan alleviates many decisions for the sponsor,” says Brian Seelinger of Knox McLaughlin Gornall & Sennett, P.C. at Erie, Pennsylvania. “The sponsor no longer needs to determine plan terms (document design), investments available, or day to day management of the plan.”

Here are three ways pooled plans can free up 401k plan sponsors’ time.

<u>Reduced Administration Burden</u>

“The single greatest benefit of a pooled employer plan is the reduction of plan sponsor responsibility for administering and overseeing their retirement plan,” says Jeff Coons, chief risk officer at High Probability Advisors in Pittsford, New York. “The committee meeting to monitor and make changes to the investment menu are no longer required, because the pooled employer plan will have a 3(38) Manager with full fiduciary responsibility for selecting and managing the investment menu. The plan sponsor will no longer be the plan administrator or Named Fiduciary for their plan, because the pooled plan provider will now have 3(16) Administrator and 402(a) Named Fiduciary responsibilities for every plan in the pooled employer plan.”

What are some of the specific tasks that pooled plans can remove from plan sponsors?

Mary Jo Innis, president & CEO at The R.O.W. Group in Nashville, Tennessee, says, "The administrative workload is substantially diminished for four key reasons:

1. If an audit is required, the time to respond to an auditor's questions and provide documents and answers that may not be being tracked internally can take a considerable amount of time.
2. Time is being saved by not having to complete the entire census with items such as termination dates, hours worked, etc. to get a plan's 5500 filed by a Third-Party Administrator (TPA).
3. Since a small business will use an internal employee to handle participant enrollments, the benefits of using enrollment tools, videos, and online wizards to guide participants through the enrollment process and explain the reasons why will significantly reduce administrative costs and relieve the business from fiduciary responsibilities.

Last but not least, we must mention the cost of turnover. If an employer can offer competitive retirement benefits to attract and retain employees, without the burden of high overhead costs or complex plan management, and enables them to focus on what is truly important – their business This is a factor I have never seen mentioned and should be the main reason for an employer to even consider such a benefit. To recruit, retain, and help our employees become retirement ready."

"A small business owner can be relieved of almost all responsibility of a diligent named 402(a) fiduciary," says Jerry Conway, consultant for PEP-HUB.com in Stratford, Connecticut. "This includes – overseeing all aspects of plan administration, benchmarking and analyzing fees and services, evaluating each of the service providers (Recordkeeper, TPA, Adviser, Custodian) AND DOCUMENTING all of this—perpetually. Adopting a PEP can save an employer dozens of hours each year and thousands of hours can be saved by a few hundred Adopting Employers."

<u>Reducing Fiduciary Liability</u>

Not only do pooled plans reduce the administrative burden, but they can also reduce the fiduciary liability for 401k plan sponsors. If you're not constantly looking over your shoulder, you can spend more time with your nose to the grindstone.

"401k plans, even safe harbor 401k plans, are complex and difficult to administer, and can involve dealing with multiple vendors," says Marcia S. Wagner of the Wagner Law Group in Boston, Massachusetts. "In particular, it takes time, as well as the ability to review investments, and this must be done periodically. Failure to pay sufficient time to these activities can result in an exposure for breach of fiduciary duty under ERISA. While a pooled employer 401k plan does not totally eliminate the potential fiduciary exposure of a plan sponsor, who must not only act prudently in selecting a pooled plan provider but also monitoring the pooled plan provider, the pooled plan provider has the responsibility for operating the plan and monitoring and reviewing its investment platform."

This isn't a modest reduction, either. It can amount to some very significant savings.

"Pooled retirement plans (PRPs), particularly PEPs can reduce a plan sponsor's administrative and fiduciary burdens by as much as 80% or more by transferring responsibilities to the pooled plan provider, thus saving the adopting employer both financial and human resources," says Robb Smith, president of RS Fiduciary Solutions and PEP-HUB.com in Plano, Texas. "Each adopter's main duty as a 'limited-scope' plan sponsor to the PEP is to consistently and continuously monitor the P3, the PEP and the PEP's service providers."

Less Compliance Reporting Worries

Related to the above, plan sponsors using pooled plans let someone else worry about compliance reporting.

"One of the most significant burdens for sponsors of small 401k plans is dealing with the compliance and reporting requirements set by the IRS and the Department of Labor," says Richard Bavetz, investment advisor at Carington Financial in Westlake Village California. "Pooled Employer Plans (PEPs) free up significant time for plan sponsors by taking over many administrative, regulatory, and fiduciary tasks that can otherwise be time-consuming and complex. Filing forms such as Form 5500, handling audits, and ensuring the plan complies with the Employee Retirement Income Security Act (ERISA) can be daunting, particularly for small business owners who may need a dedicated human resources or benefits team. Participating in a PEP shifts these responsibilities to the Pooled Plan Provider (PPP), which takes on the responsibility for handling administrative and regulatory duties. This arrangement allows business owners and plan sponsors to focus more on their core business activities instead of the complexities of maintaining a retirement plan."

Conway says, "The plan sponsor who doesn't perform all of the requisite fiduciary functions may come under great scrutiny during a lawsuit or a DOL audit and wind up spending significant time and money to work their way out of the situation. Offloading these functions to a professionally staffed PEP will provide a valuable layer of insulation."

Conclusion:

Too often, financial service professionals overweight the importance of the retirement plan to the plan sponsor. The retirement plan is often a burden to the sponsoring company. They might have an interest in discovering ways to offer plans without the burden of operating plans.

"This is an area where PEPs shine brightest," says Steven Abernathy of Abernathy/Daley 401k Consultants in New York City. "Many PEPs offer a full suite of administrative options including withdrawals, loans, changes in deferral amounts, among many others, which may save the HR department 50-100 hours per year of administrative time. Also, there is no form 5500 filing (and for anyone who has filled out a form 5500 you know this is a great time savings!). Additionally, some of the best PEPs will take on the responsibility of a 402(a) fiduciary and assume the entire fiduciary risk of offering a corporate retirement plan."

Pooled plans can have some negatives associated with them, but you can't ignore the fact that they can save 401k plan sponsors' time.

What do you think? Join us every Wednesday at noon (Eastern Time) for our Thought Leader Roundtable discussion. Not sure if you're on the email invite list? Click here to be added to the list**.**

Christopher Carosa is an award-winning online news producer and journalist. A dynamic speaker, he's the author of 401(k) Fiduciary Solutions, Hey! What's My Number? How to Improve the Odds You Will Retire in Comfort, From Cradle to Retirement: The Child IRA, *and several other books on innovative retirement solutions, practical business tips, and the history of the wonderful Western New York region. Follow him on* Twitter, Facebook, *and* LinkedIn.

Mr. Carosa is available for keynote speaking engagements, especially in venues located in the Northeast, Mid-Atlantic, and Midwestern regions of the United States and in the Toronto region of Canada.

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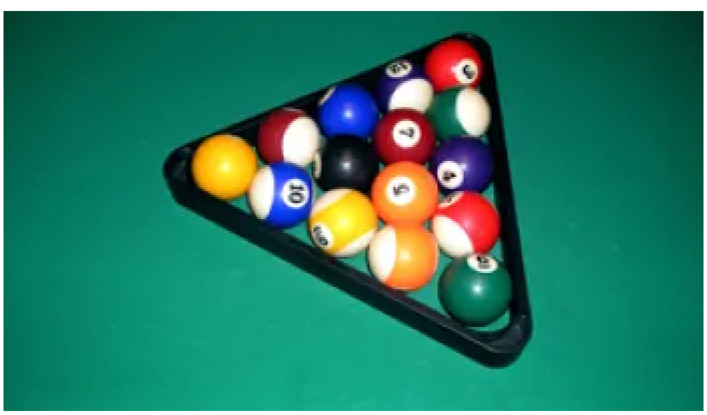

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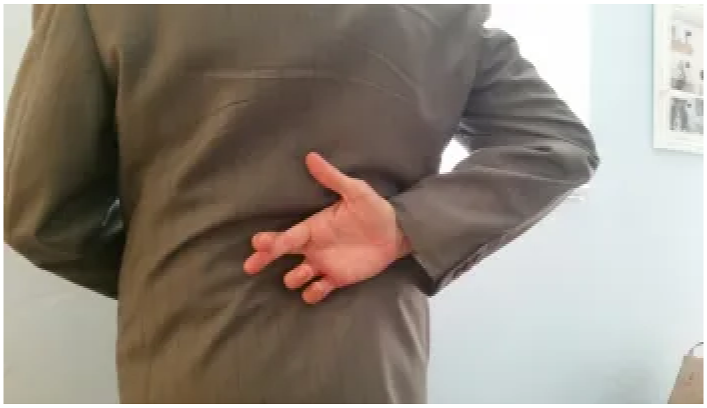

[Tax Reform Surprise: Congress Slips in 401k MEP Broadside]

For all the talk and concern about Congress cutting the contribution caps for 401k plan, the real news appears to be just the opposite. Sometimes, it’s better to wait for the final result rather than get worked up about what you think may happen.

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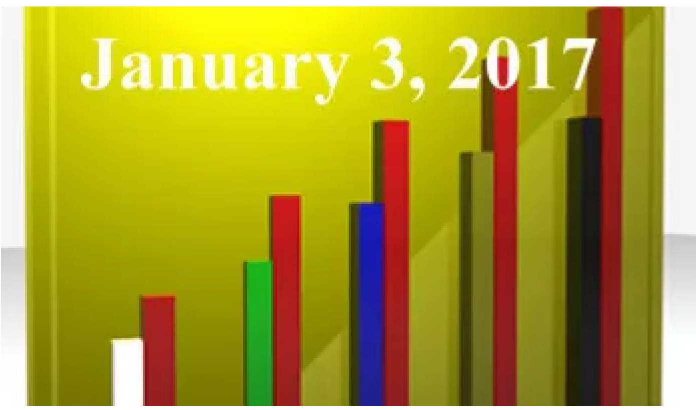

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