

Focus on Funds: Multiple Employer Plans Offer New Answer to Expanding Retirement Savings Access

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In the February 12, 2016, edition of *Focus on Funds*, ICI General Counsel David Blass describes the problems with state plans to increase access to workplace retirement savings plans, and suggests a better approach.

Transcript

Stephanie Ortvals-Tibbs, ICI Director Media Relations: When it comes to expanding access to workplace retirement savings plans, often the smartest ideas are the simplest.

David Blass, ICI General Counsel: Yes, so there are some developments for states to have mandatory, state-run, multiple employer plans [MEPs] for private-sector employers that don't otherwise offer retirement plans. It's hard to imagine this kind of patchwork, state-by-state approach really taking off and helping. It's probably going to be more confusing than helpful. We think a better approach is to build on the voluntary private-sector retirement savings system and to allow small businesses to band together in these multiple employer plans themselves, or at least to have equal footing with the states to allow them to do that.

Ortvals-Tibbs: So really this approach offers less cost, less complexity, and it's faster.

Blass: Yes, that's right, the Department of Labor has the ability to move this forward. It could move fast. You know, it avoids a lot of complications whenever you have a state-specific area, it can be confusing if an employer is in multiple states. What if an employee moves from one state to another, changes employers? How is it all going to work? One real question is, who is going to pay for it all? It is hard to overestimate the cost that goes into plans like this, the recordkeeping, other types of costs. And there's a real unanswered question of who is going to pick up the bill for that if there are state plans.

Ortvals-Tibbs: So to get at the right answers, regulators are really going to need to learn to ask the right questions and figure out what's the root cause of this.

Blass: Right, so there's the simpler 401(k), really what we need to do is look at the root cause of why some employers don't offer retirement savings plans today and go at that root cause rather than simply mandating participation. It's much more successful if you

go at the cause and one cause is simply too complex a system and that's one thing that the simpler 401(k) would do is reduce the complexity and allow small businesses to—incentivize them to participate in these retirement savings vehicles.

Additional Resources

- [Commentary: State-Run Retirement? Better to Go Private](#), *The Wall Street Journal*
- [DOL Proposal on State-Run Retirement Programs Promotes Confusing Patchwork of Laws](#)
- [ICI Comments on DOL Proposed Regulation on Savings Arrangements Established by States for Non-Governmental Employees \(pdf\)](#)

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