

We are here with John Heise, the investment fiduciary of the Alliance of State Retail Associations 401k Plan, a Multiple Employer Retirement plan (MEP) offered through RAM. John is an expert in the field of employer sponsored retirement plans and serves as investment fiduciary to many small to mid-size businesses throughout New England. Our intent of this interview is to provide our members and prospective members some basic information regarding our retirement plan solution, so they can have a better sense of why we are excited about this program.

Q: Welcome John, thank you for taking the time today, let's get right into it! What's a MEP?

JH: In the basic sense and at the core, it is a way for many, unrelated employers, to band together with a desire to save money! You see, the way retirement plans are priced, it truly is, he who has the most assets, wins. By aggregating the assets of many smaller plans, we are afforded greater buying power, thus lower recordkeeping fees, third party administration fees, investment management fees, etc....

Q: What are some of the advantages of a MEP?

JH: To begin, I would like to point out that there are two types of MEPs, Open and Closed, and our plan is a "Closed MEP". For the sake of time and to not add confusion, I will focus on the specifics of our Closed MEP.

The nature of a Closed MEP is, homogenous membership, in that the members are of like kind and in the same industry, i.e.; retail. This affords us the unique ability to be treated as a single plan in the eyes of ERISA and the DOL, the governing bodies overseeing retirement plans. Why that's a big deal? With single plan status, we're allowed to have a single plan document, single trust agreement, single board of trustees, single ERISA Bond, single Fiduciary Liability Policy, we file a single form 5500, and have a single annual audit.

As an example, if you had 50 companies, unrelated but similar, you would wipe away 49 form 5500s, ERISA Bonds, and for those of audit size, typically 100 employees or more, say goodbye to the annual audit and related costs. This saves in some cases tens of thousands of dollars, which should translate into greater retirement savings for owners and plan participants.

Our plan is really one of kind and to our knowledge the first, and only, in the nation to be a Multi-State, Multiple Employer Retirement Plan. We are currently in ME, NH, MA, CT, VT, PA, IN, IL, MD, CO and are in talks with many other state retail associations about offering our program.

Q: What about plan design, does the MEP allow for our members to have flexibility or do they have to fit a rigid mold.

JH: Great question, with our MEP, employers have full design flexibility to structure their plan however they wish! One employer may want to have a Safe Harbor 401k, another may want to utilize Profit Sharing, one may want loans another may not, one may want a vesting schedule while another may want immediate vesting. We will customize their plan however they wish with limited restrictions.

Q: What are some of those restrictions?

JH: If a company is an ESOP (employee owned) and their existing plan allows for stock purchase inside of the retirement plan, that is not a fit. If a company really wants to have a self-directed brokerage

account, that would also not be a fit due to the liability that may expose plan trustees. Otherwise, anything a company can do with a single plan they can do in our MEP!

Q: What is the structure of our MEP?

JH: The basic structure, which is not dissimilar from a single employer plan is you have a plan sponsor, recordkeeper, third-party administrator, plan administrator, trustee(s), and investment adviser.

Our plan sponsor is the Retail Association of Maine, where this plan originated before going multi-state. Our Recordkeeper is Lincoln Financial Group, which is one of the largest providers of retirement plans in the US. National Benefit Services (NBS), serves as our third-party administrator as well as dedicated 3(16) Plan Administrator, I will expand on that shortly. Our trustees are comprised of various executive directors from each participating state retail association along with representatives from some of our adopting employers. My firm, Atlas Financial Group, LLC as the 3(38) Investment Fiduciary and you are free to work with the adviser of your choice.

Q: What are some of the key attributes afforded by our MEP?

JH: Our program is designed to do 3 things, same time, money, and liability!

How we accomplish that is like this;

Time, we have contracted with NBS (National Benefit Services) to be our dedicated 3(16) Plan Administrator. All plans are required to have a plan administrator whom is tasked with the daily operations and oversight of plan activities, which are many! NBS handles all the functions for our adopting employers, such as, eligibility tracking, payroll uploads, distribution of all required participant notices, enrollment packages, distribution processing, loan processing and monitoring, hardship approval and processing, all required testing, etc. Basically, everything necessary to keep the plan compliant and operational, they assume responsibility and liability for! I don't know of any company that went into business solely to provide a retirement plan for their employees, if we can take this off their plate, it allows them to focus on what is most important, their businesses. They just remit the payrolls and NBS takes care of the rest!

Money savings, we discussed earlier, our unique ability to have single plan status and eliminate costs for many employers along with the decrease in fees associated by aggregating assets, just makes sense!

Liability; When a company decides to join our MEP, they become an adopting employer and their fiduciary liability shifts to the MEP board of trustees. That separation of liability is huge! Being a fiduciary on a retirement is not a laughing matter, but one where many plan sponsors really don't understand what their responsibilities are. Did you know, plan fiduciaries can be held personally liable for losses incurred by plan participants for a failure to monitor plan investments, personally! We have put safeguards and a board governance processes in place to help insulate plan trustees. This consists of fiduciary outsourcing with the use of a 3(16) Plan Administrator, discussed earlier, a 3(38) Discretionary Investment Manager, as well as Fiduciary Liability Insurance coverage for plan trustees.

Our plan oversight consists of quarterly Fiduciary Investment Reviews, periodic benchmarking, provider negotiations, plan promotion marketing, and education. The fiduciary review process is where we scrub the universe of investments to ensure we are providing top investments for our plan participants. Lincoln affords us an extremely robust investment platform, devoid of any proprietary investment

mandates so we may remain independent and investment agnostic when selecting an investment option. The menu is robust, consisting of a full suite of institutional investments for almost every asset class, risk-based portfolios by Vanguard, and two distinct target date suites by Blackrock and Vanguard.

We're doing the things that are supposed to be done when offering a plan, we're consistently monitoring investments, negotiating fee arrangements, eliminating conflicts of interest in our analysis, all with the goal to help individuals retire with dignity!

Q: Financial services is a relationship business, many of our members who have plans may see the value but wish to keep their existing adviser, can they do that?

JH: Yes, our plan is purposely designed to be offered by retirement plan advisers. We recognize existing advisers serve a valuable role assisting employees with their retirement dreams and we will work to ensure members have the best of both worlds, all the benefits of the MEP with their trusted adviser by their side.

Q: It really sounds like this program provides members with a great deal of flexibility, protections, in addition to saving money! How can an employer participate, should they wish?

JH: We are happy to provide a cost/benefit analysis, free of charge so an employer can evaluate for themselves or they can have their adviser reach out directly as well! Interested members may simply send an email to team@Retail401k.com and we will promptly respond.