

# Working Paper on Multiple Employer Pension Plans

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A Pension Rights Center Initiative

## Executive Summary

Businesses that employ 100 or fewer workers are well known to include a disproportionate share of the 50 percent of the workforce who are not offered a private pension plan by their employer. Given the greater costs, risks and administrative burdens that small businesses face in providing such coverage, some kind of cooperative and/ or pooled arrangement would seem to make intuitive sense for this market.

At the present time, there are two kinds of multiple employer plans that are authorized by federal pension and tax laws to receive employer contributions. These are “multiemployer” plans, typically negotiated by a union with an association of employers in a particular industry, often in a specific geographic area, and “multiple employer plans” which are less common. “Multiple employer” plans (MEPPs) are controlled by a single plan document (for this reason they are technically classified as a type of single employer plan) and do not involve a collective bargaining agreement. The employers usually have some kind of connection short of common ownership (“controlled group” status), and the (typically employer) contributions are pooled in a single trust.

In addition, “single employer” plans, the most common type of private plan, are sometimes offered through associations, such as the Chamber of Commerce or the National Association of Automobile Dealers. These associations typically use “master-prototype” plans (MPPs), under which employers design their own benefits package, which is then established and implemented as a single-employer agreement with the sponsoring financial services company that invests the pooled assets of the participating businesses.

Over the years a number of legislative proposals have been put forward to encourage pooled pension arrangements, both among employers and individuals. These have ranged from creating new, independent financial institutions that would offer plans to all or most employers, to having state retirement systems administer fully portable individual-level plans.