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EXECUTIVE THOUGHT LEADERSHIP

TRANSAMERICA®

Interview with

DEBORAH RUBIN

'OPEN' DOERS

One of the most anticipated aspects of the Setting Every Community Up for Retirement Enhancement (SECURE) Act—and one that has yet to take hold—is its "open" multiple employer plan structure, "pooled employer plans," or PEPs. We're still months away from the effective date outlined in that legislation—and some much anticipated—and needed—guidance still hasn't been issued by the Labor Department. Meanwhile, opinions vary as to their ultimate efficacy in fulfilling the aspirations of their proponents—or making the nightmares of opponents a reality.

As that effective date nears, we sat down with Deborah (Deb) Rubin, Vice President & Managing Director, TPA and Specialty Markets at Transamerica to flesh out some of the issues and potential with this "new" plan structure.

NNTM: We're still in the middle of working our way through the COVID-19 pandemic. Do you think that will have any impact on the Jan. 1, 2021 effective date for PEPs?
RUBIN: COVID-19 won't slow this down. However, what might slow it down is lack of guidance. The Department of Labor has just released guidance on Pooled Plan Providers (the organizations that will sponsor the PEPs), and (as of publication) that's still in comment period. We'll still have to wait for final regulations, and then organizations will have to apply and be approved. As a result, as of right now there are still lots of questions to which we don't know the answers; what will the registration process look like, what is the full scope of PPPs, what will disclosure require, etc.—so many questions. Less about COVID-19, but also gave people less time to be distracted by other things.

NNTM: What's the biggest "bad" assumption people make about PEPs?
RUBIN: When there's change, there's naturally both excitement and fear—and nobody exactly knows what path it's going to take, what it might do to margins, to client retention—what might be at risk. We see it not so much as change, but as an expansion of opportunity. This is an opportunity for our industry to stop, pause and potentially rethink the ways we've done business, ultimately to expand coverage.

NNTM: What kind of plan is a good candidate for participation in a PEP?
RUBIN: It's been thought that it would best fit micro plans or start-ups, but our experience says that's not the case. True, there are more small plans than large plans in our pooled exchange, but not for the reasons you might think. Let's say you have a prospect—a plan that struggles with fiduciary liability. Or consider the time and staff commitment they have to make. Participating in a PEP will reduce the ongoing fiduciary responsibility for that sponsor and may save the sponsor time and money. It may also help the sponsor with getting things done timely, address payroll challenges, and may reduce the cost of an audit. Existing plans might value the benefits of a PEP more than an employer that has never had a plan.

NNTM: While many advisors seem to think PEPs will be a help, there are those who worry that it will simply become a means for large organizations—say a big recordkeeper—to disintermediate them from their clients. What would you say to those who have those fears?
RUBIN: While PEPs are new, Transamerica has been supporting pooled plans for more than 20 years, and if anything, we've seen the role of advisors expand. Our pooled platform is an exchange—a collection of single employer plans that have many of the benefits that a PEP will have, but do not share a common business network nexus. With that pooled platform, the advisor helps to determine the path for plan sponsor, and still helps to determine not only if the approach is a good fit, but once a variety of pooled platforms are available, to pick the best fit. Even with an outsourcing of fiduciary duties, there are still monitoring requirements, and there's still a need to educate workers. Every advisor should be a student of this business, to understand the features, benefits, and challenges with a PEP, an exchange, or a single plan. You want to be able to talk to clients about it because you don't want other people to be talking to your clients about it.

NNTM: What advisors benefit most from a PEP structure?
RUBIN: From the advisor standpoint, PEPs can free up their time by providing a scaling opportunity in the way that target-date funds did. This provides a streamlined strategy, an ability to sharpen focus on the aspects of the plan where an advisor can have an impact. Pooled plans allow the advisor to add value for clients by helping them to assess options and determine what plan type best meets their needs. The advisor's role is as important as ever.