



# IL Secure Choice & The Alliance of State Retail Associations 401(k) Plan & Trust (MEP)

Not a deposit
Not FDIC-insured
May go down in value
Not insured by any federal government agency
Not guaranteed by any bank or savings association

Insurance products issued by:  
The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

LCN-3082415-051220



Illinois  
Retail Merchants  
Association

# Introductions



**Rob Karr**  
President & CEO  
IL Retail Merchants Association



**John Heise**  
MEP Consultant and 3(38) Fiduciary  
Atlas Financial Group, LLC



**Jim McCrory**  
Director of Group Retirement  
Plan (MEP) Sales  
Lincoln Financial Distributors



# The power of membership and association



# What we'll cover today



Retirement Plan  
Legislation



What is a MEP  
and why the  
ASRA MEP



Resources for  
members &  
employees



Support



Summary, Q&A and Next Steps



# Factors Driving Legislation

- Social Security trust fund is slated to run out of money by 2034 based on most recent estimates
- According to a CNBC survey of Small Businesses, 86% of small businesses do not offer a retirement plan for their employees.
- Fact: American workers have not saved enough for retirement. According to Fidelity The average 401k balance is roughly \$104,300 (May 2018).
- Costs, Administration, and liability have been barriers to entry for many small businesses wishing To offer a retirement plan.
- States have begun to enact laws mandating employer provided retirement savings, such as Secure Choice Act in Illinois.
- Bipartisan consensus to liberalize existing rules under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), to allow unrelated employers to participate in MEPs has existed for several years.



# Retirement Plan Legislation:

- ✓ Federal:

- ✓ Secure Act Passage: Paving the way for Multiple Employer Retirement Plan Expansion

- ✓ State:

- ✓ Multiple State Mandated Retirement Plans, either implemented or proposed
  - ✓ IL Secure Choice enacted in 2019
    - ✓ Changes on the horizon



# ABOUT IL SECURE CHOICE

## WHAT is it?

Retirement savings plan mandated by the State of Illinois

- All Employees automatically enrolled upon hire.
  - Minimum 3% deducted from each paycheck and remitted to State.
  - Employees may opt out of participation or after initial enrollment, employees may reduce, increase or opt-out
  - No Employer contributions allowed
- All Illinois businesses that:

## WHO does it apply to?

- Have been in operation for 2 or more years
- Employee at least 25 personnel - including BOTH full-time and part-time
- Do not offer employees a retirement savings program

## WHEN does it go into effect?

Tiered Implementation



Illinois  
Retail Merchants  
Association



# ABOUT IL SECURE CHOICE

## WHAT is it?

Retirement savings plan implemented by the State of Illinois

- All Employees automatically enrolled upon hire.
- Minimum 3% deducted from each paycheck and remitted to the State.
- Employees may opt out of participation or, after initial enrollment, employees may reduce, increase, or opt-out
- No Employer contributions allowed
- All Illinois businesses that:
  - Have been in operation for 2 or more years
  - Employee at least 25 personnel - including BOTH full-time and part-time
  - Do not offer employees a retirement savings program

## WHO does it apply to?

All Illinois businesses that:

## WHEN does it go into effect?

Already Implemented



Illinois  
Retail Merchants  
Association





# ABOUT IL SECURE CHOICE

**WHEN**  
did it go into effect?

## Tiered Implementation

Registration is now open for all eligible employers

There's no need to wait, you can start facilitating Illinois Secure Choice today, but no later than the deadline shown below.

### Employer registration deadline for

500+  
emp cyes



Your deadline has passed,  
register your business today.

100-499  
emp cyes



July 2019

25-99  
emp cyes



Nov 2019

REGISTER BUSINESS



Illinois  
Retail Merchants  
Association



# IL SECURE CHOICE CHANGES

## WHAT

Are the changes?

### New Requirements

The newly enacted law makes several notable changes to Secure Choice, including:

- The 25-employee threshold is reduced to 5 employees. Now, the program will apply to employers with at least 5 employees in the state during every quarter of the previous calendar year. The employer determines the total employee count using the annual average from the employer-reported quarterly data.
- Secure Choice now includes annual, automatic increases to the contribution rates up to a maximum of 10% of an enrollee's wages. The Illinois Department of Revenue will establish a schedule for the automatic increase.



Illinois  
Retail Merchants  
Association

For Plan Sponsor Use

# IL SECURE CHOICE CHANGES

## WHAT

Are the changes?

- The changes clarify that the second year of non-compliance need not be consecutive for applying the \$500 noncompliance penalty.
- Employers now have 120 days (rather than 90 days) after issuance of a notice of proposed penalty assessment for noncompliance to file a protest with the department or come into full compliance.
- The changes allow providing notices electronically rather than only by first class mail.



Illinois  
Retail Merchants  
Association



# IL SECURE CHOICE CHANGES

## WHEN

does it go into effect?

### **When Effective**

The program will notify employers before their scheduled start time to allow them time to register. The schedule is:

*Wave 1:* The enrollment deadline for employers with fewer than 25 employees and more than 15 employees will be no sooner than September 1, 2022

*Wave 2:* The enrollment deadline for employers with at least 5 employees but not more than 15 employees will be no sooner than September 1, 2023.

# ABOUT IL SECURE CHOICE

## Investment Options

- **Target Date Retirement Fund(s)**
  - Blackrock LifePath Index Target Series (Retirement-2065)
- **Growth Fund**
  - Schwab S&P 500 Index Fund (SWPPX)
- **Conservative Fund**
  - Schwab US Aggregate Bond Index Fund (SWAGX)
- **Capital Preservation Fund**
  - State Street Institutional Liquid Reserves (SSHXX)



# ABOUT IL SECURE CHOICE

## Roth IRA Rules

- Contributions made “After Tax”
- Contribution Limits (2021, \$6,000 age 50 Catch-up \$1,000)
- Income Limitation Rules (Single Filers under \$137k, Married under \$203k)
- Accumulation Tax Free\*
- Withdrawals Tax Free after age 59 ½

### Caveats:

- Participants may withdraw any of their CONTRIBUTIONS prior to age 59 ½ without restriction or penalty
- Any gains withdrawn **MUST** be held in the Roth IRA for a minimum of 5 year as well as **MUST** be held past age 59 ½ or a 10% early withdrawal penalty will be assessed.
- Also, violation of the 5 year/59 ½ rule will also cause those earnings to be **TAXABLE**



Illinois  
Retail Merchants  
Association



# ABOUT IL SECURE CHOICE

**Where to go for more info on SecureChoice**

<https://www.ilsecurechoice.com/>



# ABOUT IL SECURE CHOICE

## Alternatives to IL Secure Choice

- Other Qualified Retirement Plan, such as...
  - 401k Plans
  - 403b Plans
  - SIMPLE IRA Plans
  - SEP (Simplified Employer Pension) Plans
  - Defined Benefit Pension Plans
  - Other Qualified Plans...





# What is a MEP and why the ASRA MEP offered through



# Lincoln

Selecting a provider for your associations 401(k) MEP is a big decision. Understanding your 401(k) provider's strength, expertise and reputation can help make your decision easier and give you the peace of mind that selecting an industry leader provides.

## Our strength

We are a **Fortune 200** Company

We have been around over **115 Years**

## Our expertise\*

**\$76 billion** in retirement plan assets

**20,000** plan sponsors

**1.5 million** retirement plan participants

**MEP** recordkeeping since 1995

## Our reputation

Rating agencies routinely assess our financial strength and stability. We're proud to be recognized for our commitment and financial stewardship with these strong ratings. As of May 6, 2020, these ratings represent the most recent ratings assigned by the respective agencies.

A+	A+	A1	AA-
A.M. Best (2 <sup>nd</sup> highest of 16)	Fitch (5 <sup>th</sup> highest of 19)	Moody's (5 <sup>th</sup> highest of 21)	Standard & Poor's (4 <sup>th</sup> highest of 21)

The financial strength ratings do not imply approval of any Lincoln product and does not refer to the investment performance of the product, including underlying investment options. Such ratings apply only to the company's financial strength or claims-paying ability. They do not apply to safety or investment performance of any variable product and its underlying investment options.

This table was compiled using information available to the public and represent the most recently affirmed ratings by each rating service. The ratings are not a recommendation to buy, sell or hold our securities. The ratings may be subject to withdrawal or revision at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

\*Lincoln Financial Book of Business 4Q2019.

For Plan Sponsor Use



# Group Plan Basics

## Making association member's 401(k) Plans Simple and Efficient

- The 2019 SECURE Retirement Act
- Group plan structures used by associations
  - Multiple Employer Plan (MEP)
  - Pooled Employer Plans (PEP)
  - Multiple Employer Aggregation Program (MEAP)



# MEP Basics

## Understanding the MEP Structure vs Single Plans

### Multiple Employer Plan (MEP)

A group 401(k) plan established under section 413c of the IRS code that allows:

- Unaffiliated employers, of an approved defined group, to adopt into a single retirement plan sponsored by a 3<sup>rd</sup> party.
- The 3<sup>rd</sup> party that bears the “plan sponsor” fiduciary responsibilities and liabilities for administering the plan.

### Aggregated by the MEP

- Single master plan Document
  - Multiple adoption agreements for individual plan design flexibility
- Single recordkeeper
- Single TPA (third party administrator)
- Single administrative 3(16) fiduciary
- Single Investment 3(38) fiduciary
- Single form 5500
- Single annual audit
- Single ERISA Bond
- Single Fiduciary Liability insurance policy
- Real economies of scale due to single plan status



# Association Members 401(k) responsibilities BEFORE joining

## Plan Sponsor Duties

- Design plan document
- Maintain qualified status
- Appoint and monitor all other plan fiduciaries' plan investment fiduciary duties
- Produce, maintain and follow an Investment Policy Statement (IPS)
- Select and monitor an investment platform meeting ERISA "prudent person" standards
- Conduct and document quarterly Investment Committee meetings
- Review and document investment returns, fees, expenses, and comparisons to peer group
- Monitor the status of all investment options and remove or replace them as appropriate

## Operational Plan Administrator Duties

- Deposit contributions and submit payroll files for upload on a timely basis
- Annual ownership and census verification for testing purposes
- Oversee annual census reconciliation with TPA
- Oversee and manage process in conjunction with the TPA for annual filing of Form 5500
- Send out enrollment packets, including summary plan description (SPD), 404(c) compliance information, Qualified Default Investment Alternative (QDIA), and annual participant fee disclosure 404(a)(5).
- Comply with DOL Regulation Section 2550.404(a)(5) provisions for participant communications, including but not limited to:
  - Notice to participants of intention to comply with 404(c)
  - Description of investment alternatives
  - General description of the investment objectives, and risk-and-return characteristics of each alternative
  - Description of transaction fees and expenses affecting participants
  - Specified information regarding plan fiduciaries
  - Description of the annual operating expenses of each designated alternative
  - Copies of prospectus, financial statements and reports provided to the plan
- Determine participant eligibility
- Conduct enrollment and educational meetings
- Address specific participant requests in compliance with the 404(a)(5) participant fee disclosure regulation
- Administer participant loans in compliance with statutory requirements
- Verify termination dates and vesting and send out participant termination packets
- Administer distribution and rollover requests for terminated employees
- Administer hardship withdrawals in compliance with the hardship rules, included in provisions of the Pension Protection Act (PPA) of 2006
- Review and validate compliance testing
- Provide for annual audit of the plan if < 125 eligible employees
- Send out required year-end notices to participants (i.e., Safe Harbor, summary annual report (SAR), etc.)



# Association members 401(k) responsibilities AFTER joining

## Initial

- Sign the initial agreement to adopt and participate in the plan
- Choose customized plan design options to meet your business needs

## Ongoing

- Complete your annual ownership and census verification for testing purposes
- Deposit contributions and submit payroll files for upload on a timely basis
- Periodically monitor the MEP sponsor to make sure the plan is being administered carefully and in line with the appointment



# MEP - Understanding the Why

## Good for Your Association and Good for Your Members

### For Your Association

- A Custom branded and differentiated member benefit
- Can help with retention and attracting new members
- Can help stabilize and improve your revenues

### Group aggregation adds efficiencies

- Full Plan Flexibility to design!
- Elimination of
  - Form 5500 and related Costs
  - Annual Audit and related Costs
  - ERISA Bond and related Costs
  - Need for Fiduciary Liability Insurance and related Costs
- Institutional Investment Menu
- Full Fiduciary Outsourcing
  - 3(38) Discretionary Investment Fiduciary and Management
  - 3(16) Administrative Fiduciary and Management
- Full Administrative Task Outsourcing
  - Payroll uploads
  - Eligibility Tracking
  - Participant Notices distributed
  - Approval and processing of all Distributions, Hardships, QDRO, Loans, etc.
- Only \$750/yr. out of pocket cost (can be paid by the plan).



# Why association members should consider joining the ASRA MEP?

## A SMART BUSINESS DECISION

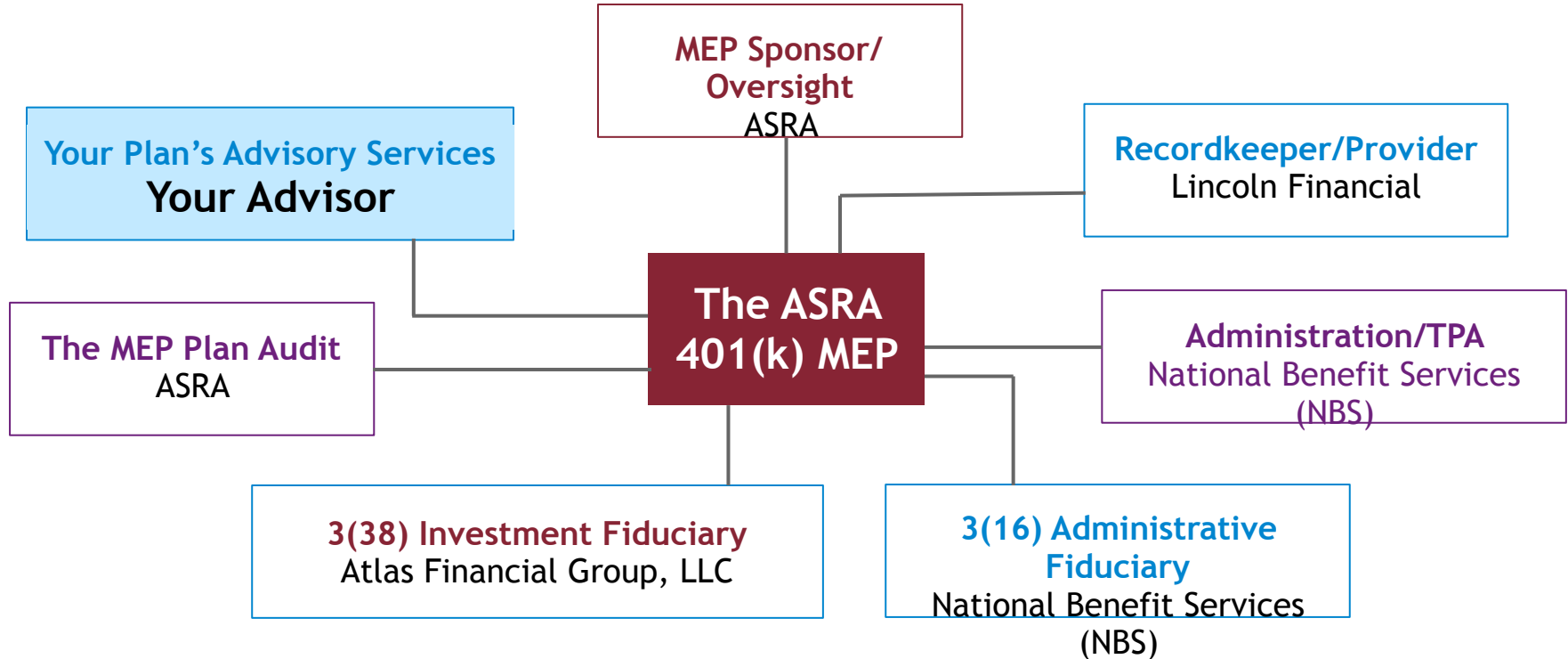
- The MEP structure helps them reduce virtually all of their 401(k):
  - Work
  - Responsibilities
  - Fiduciary Liabilities
- Most of the time ..... a cost savings





# How it all fits together behind the scenes

A “turn-key” service structure to support association member’s 401(k) needs

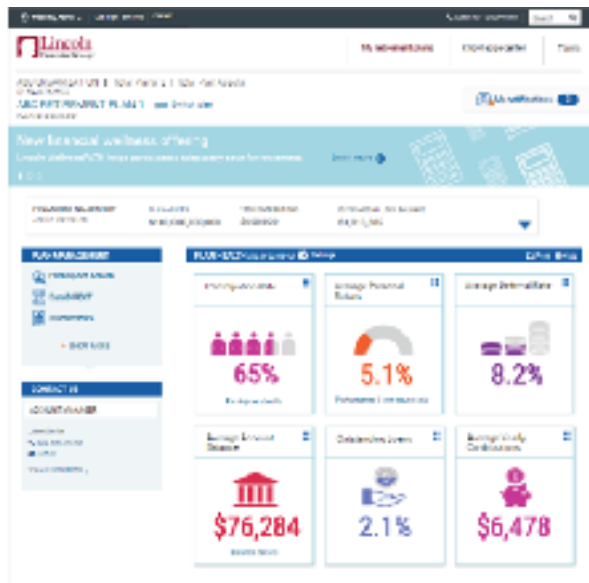


# Resources for Your Members Employees



# Easy-to-use technology

## Plan sponsor web experience



## Participant web experience

Full transactional and inquiry capabilities via:

- Desktop/Laptop
- Notepads
- Smart Phones
- Smart Watches



### Plan sponsor experience:

<http://marketingmedia.lfg.com/lfg/DOCS/lfd/emailMarketing/2018/Video/5823393631001.html>

### Participant web experience:

<http://marketingmedia.lfg.com/lfg/DOCS/lfd/emailMarketing/2017/Video/5542851086001.html>

### Advisor web experience:

[Click here to learn more about our enhanced experience for financial professionals.](#)

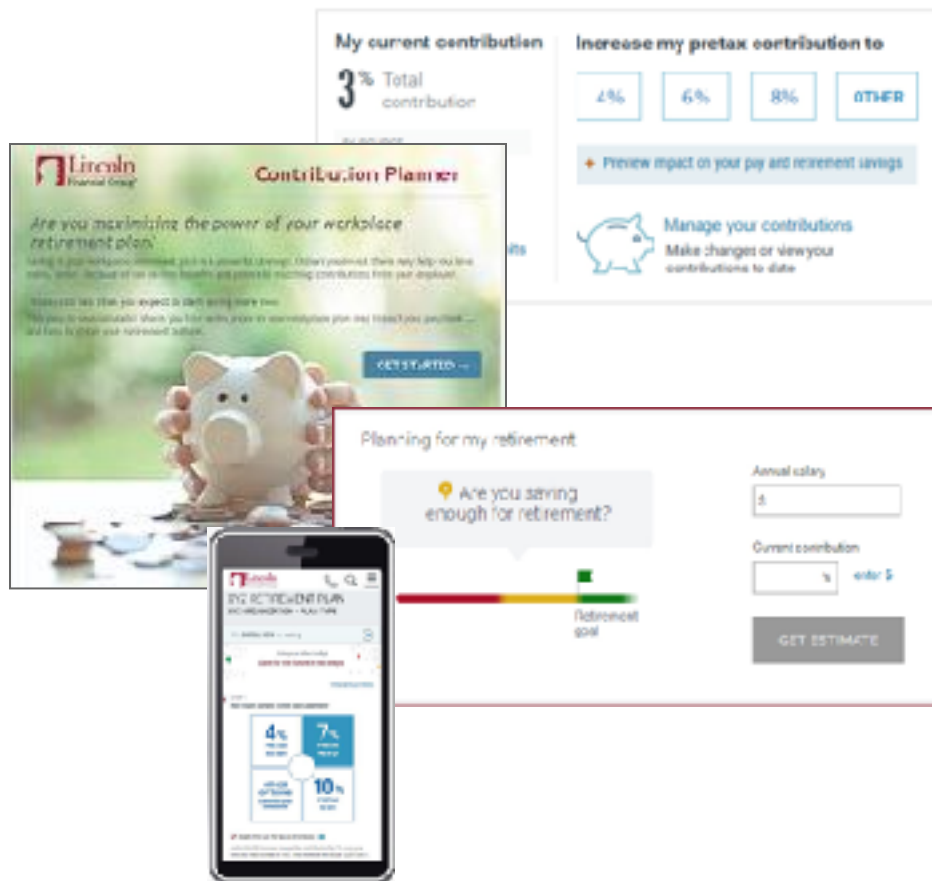


# Technology

## Click2Contribute

The Click2Contribute feature makes it easier for a participant to increase his or her contribution rate by selecting one of three preset percentages.

In addition, to better prepare for a change, the Contribution Planner shows how an increase may impact the participant's paycheck.



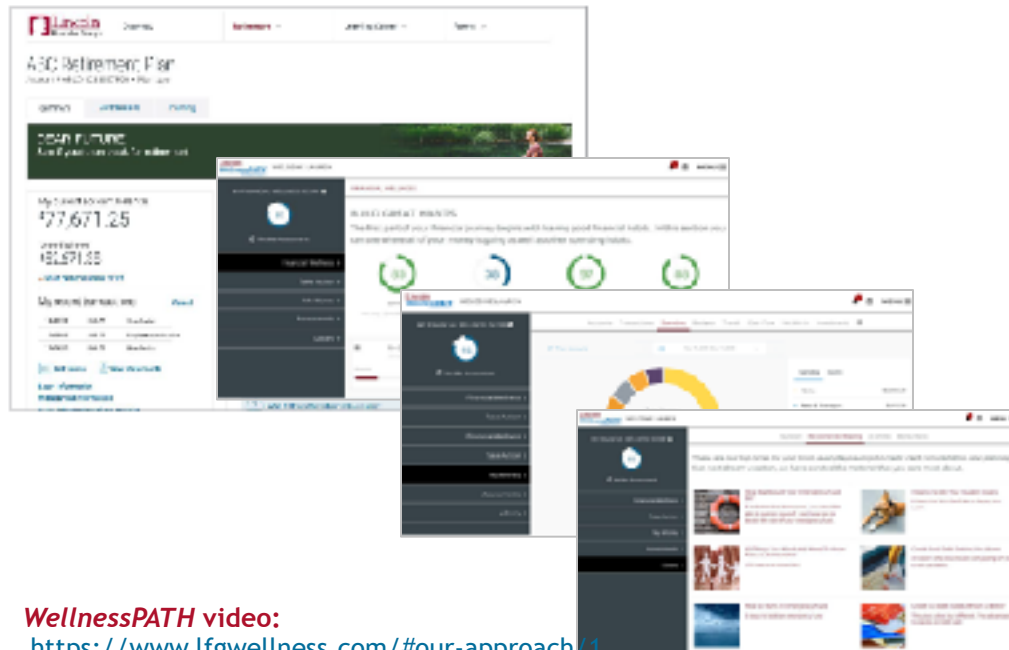
# Introducing *Lincoln WellnessPATH*®

## How does it work?

It's easy to get started.

1. Log in to **LincolnFinancial.com/WellnessPATH**.
2. If applicable, click on the **View details** button on the overview page.
3. Select the **Find Your Path** button on the account summary page.

The first time you use the tool, you'll take a short quiz to help you set goals so you can immediately take action. Answer a few simple questions (such as, "Do you rent or have a mortgage?") and receive a financial wellness score that analyzes your saving, spending, debt and protection.



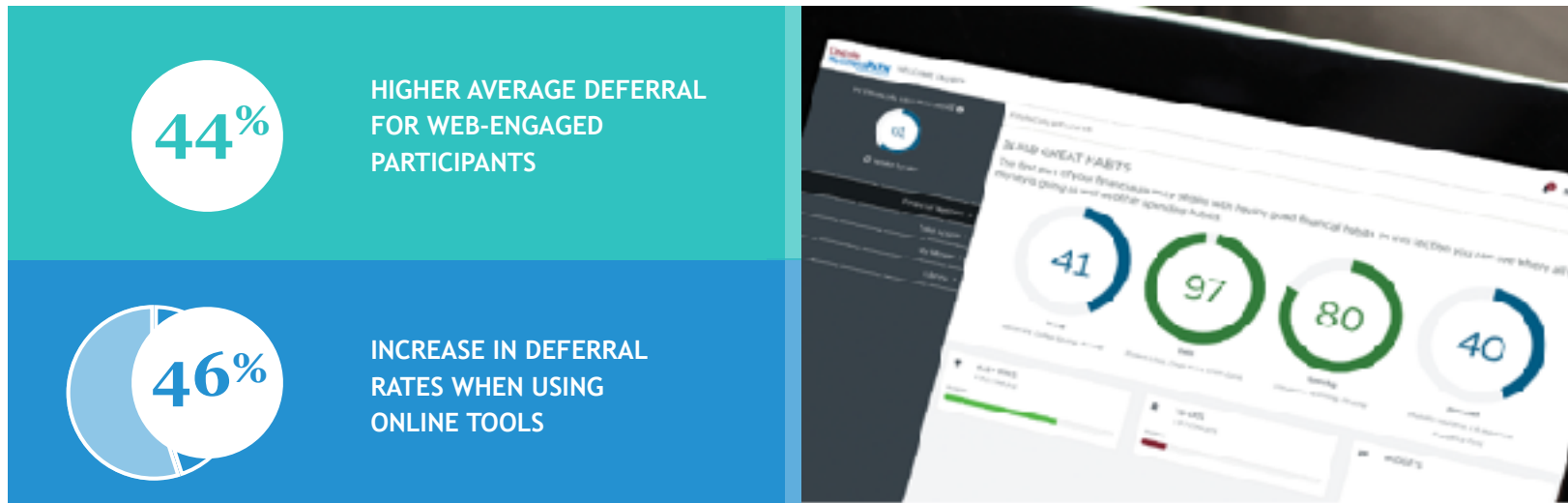
**WellnessPATH video:**

<https://www.lfgwellness.com/#our-approach/1>



# Lincoln WellnessPATH® interactive tool makes an impact

## Making it easy to take action gets results



Source: Lincoln Financial Book of Business, 1Q2019 Web Data



# Member Proposal Packages





# Customize ASRA proposal for association members

## Covers

- Service structure
- Reviews Investments and Cos





# Additional Benefit

## Third-party benchmarking report

### Information required:

- 408(b)2 fee disclosure
- Asset statement

### Results we can provide:

- Plan-level weighted plan cost comparison
- Plan-level weighted investment returns comparison
- Fund-level returns and cost comparison



# Summary, Q&A and Next Steps



# MEP - Summary of the Advantages

## Good for Association and Good for Your Members

### For Your Association

- A custom branded and differentiated benefit you members probably can't
- Can help with retention and attracting new members
- Can help stabilize and improve dues revenue

### Group aggregation adds efficiencies

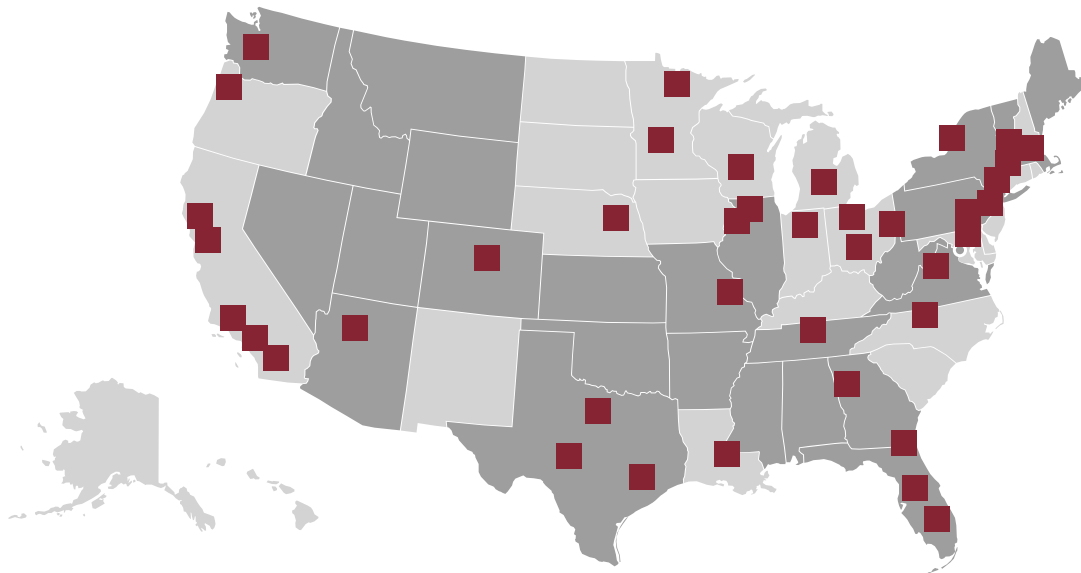
- Full Plan Flexibility to design!
- Elimination of
  - Form 5500 and related Costs
  - Annual Audit and related Costs
  - ERISA Bond and related Costs
  - Need for Fiduciary Liability Insurance and related Costs
- Institutional Investment Menu
- Full Fiduciary Outsourcing
  - 3(38) Discretionary Investment Fiduciary and Management
  - 3(16) Administrative Fiduciary and Management
- Full Administrative Task Outsourcing
  - Payroll uploads
  - Eligibility Tracking
  - Participant Notices distributed
  - Approval and processing of all Distributions, Hardships, QDRO, Loans, etc.
- Only \$750/yr. out of pocket cost (can be paid by the plan).



## We're there where you need us

Lincoln has 40 external and 20 internal retirement plan specific sales directors who can help when and how you need it, with support like:

1. Lead generation
2. Research
3. Benchmarking
4. Proposals
5. Finalist presentations
6. Training



# How to obtain more information?

- Business Owners or Advisers:
  - Go online to [www.retail401k.com](http://www.retail401k.com)
  - Go online to <https://irma.org/>
  - Email: reach out to [team@retail401k.com](mailto:team@retail401k.com)



# Q&A



# Thank You



# Important disclosures

This material is provided by Lincoln Financial Distributors, Inc., a broker-dealer, who is the wholesale distribution organization of Lincoln Financial Group. Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates (collectively “Lincoln”). This material is intended for use with respect to an arm’s length sale, purchase, loan, exchange, or other transaction related to the investment of securities or other investment property between Lincoln and an independent fiduciary of the plan who is responsible for exercising independent judgment in evaluating the transaction. For this purpose, an “independent fiduciary” is any entity defined in 29 CFR § 2510.3-21(c)(1)(i)(A)-(E). Lincoln is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with furnishing or making available of such information. Lincoln has financial interests that are served by the sale of Lincoln programs, products and services.

Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting or legal advice. Please consult an independent advisor as to any tax, accounting or legal statements made herein.

Lincoln Directors<sup>SM</sup>, a group variable annuity contract, is issued on variations of contract form 19476 and state variations and amendment forms AR-450A and AR-451A by The Lincoln National Life Insurance Company, Fort Wayne, IN, and distributed by Lincoln Financial Distributors, Inc., Radnor, PA, a broker-dealer. **The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so. Contractual obligations are subject to the claims-paying ability of The Lincoln National Life**

**Insurance Company.** Contracts sold in New York are issued on variations of contract form 19476NY and amendment forms AR-450A and AR-451A by Lincoln Life & Annuity Company of New York, Syracuse, NY. **Contractual obligations are subject to the claims-paying ability of Lincoln Life & Annuity Company of New York.** Products and features are subject to state availability. There is no additional tax-deferred benefit from an annuity contract purchased in an IRA or other tax-qualified plan.

The target date is the approximate date when investors plan to retire or start withdrawing their money. Some target-date funds make no changes in asset allocation after the target date is reached; other target-date funds continue to make asset allocation changes following the target date. (See prospectus for the fund’s allocation strategy.) The principal value is not guaranteed at any time, including at the target date. An asset allocation strategy doesn’t guarantee performance or protect against investment losses. Funds of funds have an additional level of expensing.

LincolnFinancial.com

1/18 Z01

Order code DC-MEPL-PPT001



Not a deposit	Not FDIC-insured	May go down in value
Not insured by any federal government agency		
Not guaranteed by any bank or savings association		

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. Affiliates are separately responsible for their own financial and contractual obligations.

For plan sponsor use only.





[LincolnFinancial.com](https://LincolnFinancial.com)