120 North Washington Square
Suite 1000

Lansing, MI 48933

Small Business
Association of
Michigan/Small Business Resource Center

Members’ Pooled Employer Plan (PEP)
Third Party Administrator
Request for Proposal

SBAM/SBRC

### **Pooled Employer PlanThird Party Administrator Request for Proposal**

# Introduction and Instructions

The Small Business Association of Michigan (SBAM), and its for-profit subsidiary, the Small Business Resource Center (SBRC) are seeking proposals from eligible plan recordkeepers, ERISA 3(16) fiduciaries, and third-party administrators (TPAs) to act as a Pooled Plan Provider (PPP) and to provide its own and its 28,000+ small business members with a Pooled Employer Plan (PEP) as authorized under the SECURE Act. SBAM does not intend to be a Pooled Plan Provider. We are looking for a PPP to provide SBAM and our members with a competitive, affordable, and innovative product. We envision that we will sponsor a PEP that contains both traditional and Roth 401(k) features, both safe harbor and non-safe harbor matches and/or Qualified Nonelective Contributions (QNECs) at the employer’s discretion as well as profit sharing components.

All questions listed in this Request for Proposal must be answered in the order presented, and in full. While the proposing provider may utilize standard marketing materials, Section and Number must identify responses to each question in a separate document.

Due to the nature of this process, individual questions must be directed *in writing only* to:

Scott Lyon
SBAM/SBRC
120 N. Washington Square, Suite 1000
Lansing, MI 48933
Scott.Lyon@sbam.org

E-mail may also be utilized as an “in writing” method.

Three copies of each TPA’s proposals (or one copy via e-mail) must be received at the above address no later than 5:00 pm ET on March 1, 2021.

As part of their proposals, TPAs must confirm in writing that their proposals are consistent with the requirements outlined herein and clearly define all deviations. All questions must be answered, and all instructions must be followed. All proposals must be submitted in their entirety by the deadline.

SBAM’s goal is to reach a vendor decision by June. 2021 for implementation during late 2021 or early 2022. The criteria for selection will include:

* Demonstrated ability to administer the proposed program effectively
* Proposed cost
* Proven investment track record
* Contractual provisions
* Proven track record in superior service capabilities
* Responsiveness to the specifications
* Demonstrated ability to install the plan efficiently and effectively in conjunction with other selected vendors

We have already selected an ERISA 3(38) adviser for our Pooled Employer Plan. This adviser will provide all investment selections and direction for changes across the investments offered to all adopting employers of the SBAM PEP. Please note that each adopting employer will not have their own individual investment selections but rather will utilize the investment “menu” proposed and maintained by the 3(38) adviser.

SBAM recognizes that the PEP space is generating great interest from many chambers and associations across the country. However, your firm should know that SBAM has a successful track record in providing benefits to our large membership base. We anticipate that with the right partners, we will be able to scale a plan that is attractive business opportunity to retirement plan service providers.

The data and questionnaire provided to you is for use only in responding to this RFP. All information is to remain confidential. No information is to be released without SBAM/SBRC’s expressed written permission.

# Background

Organizational Background

The Small Business Association of Michigan (SBAM) is a 501(c) (6) not-for-profit, trade association organized for the exclusive interest and concern of small business in Michigan. SBAM was created to provide leadership in the promotion of free enterprise and other common interests of small businesses in Michigan. SBAM's primary mission is to help Michigan small businesses by advocating for small business, bringing business owners together to share knowledge, creating collaboration and partnerships, and delivering group buying power.

Membership

SBAM membership includes over 28,000 businesses. To be a member of SBAM a company must have fewer than 500 employees and be a registered business in Michigan. Approximately 90% of members have 25 or fewer employees. Our membership comes from across the state and across the spectrum of SIC codes.

Do Not Confuse SBAM and the SBA

The Small Business Association of Michigan (SBAM) is a not-for-profit trade association funded by dues dollars and income from several other sources. The Small Business Administration (SBA) is an agency of the federal government. We are not one in the same.

SBAM Products and Services – partial list

* Advocacy/Government Relations relating to issues that impact small business
* Employee Benefits including group health, life and disability, dental and vision insurance, Section 125, health savings account and health reimbursement arrangement administration, COBRA administration, and accident/critical illness insurance
* Consolidated billing and enrollment services for all sponsored group benefit plans
* HCM/payroll
* IT Management and CyberSecurity
* Workers’ compensation
* HR and Legal Hotline

For more information on the Small Business Association of Michigan, as well as our products and services, please visit our website at [www.sbam.org](file:///%5C%5CDC2016%5Cprojects%5CSBAM-SBRC%5CPEP%20Retirement%20RFP%20Project%5Cwww.sbam.org).

Deliverables

We realize that the retirement plan industry is in a state of constant change - emerging technologies, new laws and regulations, and the ever-changing needs of customers have altered the market environment. Many small businesses do not believe either their company can afford a professionally managed retirement plan, or they find the subject overwhelming or too complex for them to spend time trying to find remedies. At the same time, not offering a retirement plan puts them at a competitive disadvantage in the retention of current or recruitment of new employees. We are seeking your help in designing a Pooled Employer Plan program for small business and in propelling the program to the highest level through effective product development, integration with current product offering, where possible, developing technology enhancements, sales and communications. Therefore, the vendor we ultimately select will provide the best combination of a flexible product offering, innovative technology, marketing commitment, customer service and price.

Proposals are requested for the following services:

* In conjunction with SBAM, the creation of a PEP master plan document
* Creation and maintenance of documents for employers who adopt the master PEP document
* Onboarding of adopting employers into the PEP program
* Plan TPA services, including employer-by-employer tracking and management of all contributions, distributions, plan loans (where selected), investments, and government reporting (1099-R; assisting with the required annual plan audit; preparation of the required IRS Form 5500 series and any other required governmental reports)
* Collection of necessary employer-by-employer census data
* Performance of all required compliance testing, including 410(b), 402(g), ADP, ACP and any other current or future required testing
* Provision of a secure employer portal for employer-level information, including document storage (with upload and download capabilities; repository of test results from the bullet above; and other necessary documents)

SBAM’s objectives for this bidding process are:

* Provide all TPA services for a high-quality Pooled Employer Plan
* Secure high-quality account and participant services

# Bidding and Implementation Timeline

This competitive bidding process involves the following steps and timetable:

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| --- | --- |
| RFP to TPAs | February 1, 2021 |
| TPAs’ proposals due | March 1, 2021 |
| Analysis of proposals | May 1, 2021 |
| Interview of finalists (if necessary) | May 2021 |
| TPA selection(s) | June 2021 |
| Integration of Recordkeeper, ERISA 3(16) and 3(38) fiduciaries, and TPA | July 2021 |
| Development of marketing materials | July and August 2021 |
| PEP rollout | September 2021 |

# Plan Profiles

Sources of contributions:

* Employee 401(k) contributions [traditional and Roth at the adopting employer’s discretion] 0% to 75% of annual compensation (fully vested)
* Safe harbor (match or QNEC) at the adopting employer’s discretion (fully vested)
* Discretionary employer contribution [at the adopting employer’s discretion] (subject to employer’s vesting schedule of either 2-year cliff or 6-year graded)
* Employee rollovers and transfers (fully vested)

Loan provisions: At the adopting employer’s discretion

Hardship withdrawal provisions: At the adopting employer’s discretion

In-service withdrawal provisions: After age 59-1/2 [at the adopting employer’s discretion]

**Request for Proposal Questions**

# Section I – General Information

1. Provide your corporate headquarters address and telephone number.
2. Provide the names, addresses, and telephone numbers of your Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer.
3. Provide the address and telephone number of each of your Service Centers that representatives of SBAM and our adopting employers would utilize for general client services.
4. Provide the name, address, telephone number, and e-mail address of the primary service representative proposed for this account for our dealings with the TPA. In addition, provide the number of years this individual has been employed by your organization and in what capacities, along with the number of years employed in the defined contribution field. Any experience with multiple employer plans should also be highlighted.
5. List all corporate “parents” and affiliates of the TPA, along with their associated address and telephone number.
6. List all predecessor organizations with the year of any corporate changes.
7. Are there any discussions or pending agreements to merge or sell any part of your organization? (Yes/No) If yes, please explain.
8. Are there any discussions or pending agreements to buy any outside organizations? (Yes/No). If yes, please explain.
9. Has your organization ever been petitioned into bankruptcy or insolvency? (Yes/No) If yes, please explain and provide applicable date(s).
10. Please provide your most recent audited financial statements for the past three years. If the proposing firm is an insurance company please provide your claims paying ability ratings from Standard & Poors, Moodys and Fitch. If rated by some other service, provide the rating and rating criteria.
11. Has your firm or any of its affiliates been subpoenaed by regulators with regard to trading practices? (Yes/No) If yes, by whom and when?
12. Are there any current or pending litigation, settlement negotiations or agreements, or regulatory actions involving your firm or other business units as a result of alleged or confirmed improper trading practices? (Yes/No) If yes, please describe.
13. Describe any other litigation, in the past ten years against your organization or local service representatives resulting from its current or past involvement with any deferred compensation, defined contribution or public/private pension plan.
14. Has your organization or any of your local service representatives been cited, reprimanded or penalized by any regulatory agency within the past ten years? (Yes/No) If yes, please describe.
15. Please describe the amount of errors and omissions and fiduciary liability insurance you carry. What carrier(s) provide your coverage? Please describe all claims that have been filed against your firm within the past three years and their status.
16. Does your firm have any affiliations with or endorsements from any public or private organizations? (Yes/No) If yes, please describe the relationship, and be sure to include a description of whether or not it is a monetary relationship.
17. Does your TPA business cover the entire state of Michigan? Do you have local representatives that cover the entire state?
18. Briefly describe the credentials and related experience of the local service representatives who will be assigned to the SBAM account. How often can you make a representative available at the employer’s locations?
19. What percentage of your business is dedicated to defined contribution plan TPA?
20. Please describe the implementation and account management teams (including the detail of each of their roles) who will be assigned to SBAM. Who will be the point-of-contact for SBAM and what is his/her experience in this role?
21. Where is the plan’s primary client contact located? How many client accounts does he/she maintain?
22. What is the maximum number of client accounts per client representative?
23. Please provide statistics relative to the turnover rate of your client representatives.
24. Offer an overall view of your organization’s future strategy and goals as they related to qualified retirement plans.
25. What is your corporate philosophy toward group purchasing programs?
26. Are you currently administering any similar group purchasing programs for qualified retirement plans/multiple employer plans?
27. What is the length of time those programs have been in effect?
28. How many employers participate in the programs? Please break this down by:
29. Average number of Plan Participants by employer
30. Average amount of Plan Assets by employer
31. Number of Plans by Plan Size
32. Under 25 participants
33. 26 – 50 participants
34. 50 -99 participants
35. 100+ participants
36. What contractual relationships with other associations does your company maintain? Could any be considered as a conflict with SBAM? What solution would you propose to any conflict?
37. What would you describe as your core competency (ies)?
38. What sets your company apart from your competition?
39. Provide three references for employers with similar plans. Please also include two references for employers who have discontinued your services within the past two years.

# Section II – TPA Services

1. Do you currently provide qualified and/or nonqualified retirement plan services to other Multiple Employer Plans or Association Retirement Plans? If so, please describe in detail.
2. Describe your firm’s strategic approach to PEPs and becoming a Pooled Plan Provider.
3. Please describe all compliance testing you perform on single employer qualified retirement plans. On any group purchased qualified retirement plans.
4. Please provide sample copies of compliance reports you supply to your qualified retirement plan clients.
5. Describe year-end reporting services for the IRS Form 5500 series and attachments and schedules, Summary Annual Report, and other tax reporting requirements. Does your firm prepare these filings? How do you prepare and facilitate the electronic filing of the Form 5500? Please describe your process in detail.
6. Do you provide ERISA 3(16) fiduciary services internally? Please describe in detail your processes. Provide all checklists and other supporting documentation you utilize for such 3(16) reviews.
7. If #5 is yes, how do you maintain the necessary separation of conflict of interests in reviewing your own TPAs processes.
8. Do you work with any external ERISA 3(16) fiduciaries? If so, please describe in detail. When any process discrepancies are found, how are they resolved?

# Section III – Marketing Support

1. As this is a new program for SBAM, describe your plans for how you would assist us in marketing this to our small business members, in conjunction with our eventually selected recordkeeper.
2. What marketing support dollars would you propose to provide to SBAM, in addition to materials and collateral for us to provide to our members?

# Section IV – Fees

1. Estimate the total one-time start-up costs for implementing your services. Break the total charge down into its component parts, including any per-adopting-employer and per-participant and/or asset-based charges.
2. Estimate the total ongoing costs for your services. Break the total charge down into its component parts, including any per-adopting-employer and per-participant and/or asset-based charges. Please address how each of the following fees are imposed (if applicable):
3. Plan implementation
4. Completion of all TPA requirements
5. Maintenance of beneficiary designations
6. QDRO processing
7. Loan and hardship processing
8. Auto-enrollment and auto-escalation
9. Compliance testing (detail any charges for more than annual testing)
10. Distribution processing
11. Curing deficiencies identified in compliance testing
12. Annual government form preparation, including SARs
13. Annual audit package preparation and submission
14. Annual plan review with each adopting employer
15. Any other services you offer
16. Fully identify (and certify) any and all direct or indirect financial arrangements (including any revenue sharing) with the plan, your firm, and/or any other entity providing services (either directly or indirectly) to SBAM/SBRC and/or any adopting employer through your firm. For each financial arrangement, fully describe how the remuneration is paid (*e.g.* from plan assets, charging each participant a fee, charging the adopting employer a fee, or billing the adopting employer directly), and whether it is a one-time or ongoing payment. Enumerate how each of these direct or indirect financial arrangements and/or payments is utilized for plan purposes.
17. Does your organization have any financial arrangements with another individual or entity whereby your firm (or an agent for your firm) receives compensation based upon the amount or number of plans or assets placed with that entity? If so, fully disclose each arrangement.
18. For what period of time are your all of your ongoing fees guaranteed?
19. What service guarantees do you provide and what fee bonuses or penalties do you offer?
20. What has been the average increase in your fees over the past five years?
21. Are there any “termination fees” that would apply at any time in the future, either to SBAM/SBRC as the PEP sponsor, or to any adopting employer? If so, please provide complete details.

# Section V – Quality

1. How do you monitor employer/participant satisfaction?
2. How do you monitor your employees’ performance?
3. How are participant and plan sponsor complaints handled?
4. What differentiates your quality program from your competitors?