
A new concept for defined contribution plans: The Retiree MEP

By Editorial Staff *Thu, Aug 2, 2018*

'Within an open multiple employer plan would exist a guidance platform--the Retiree MEP--where participants could receive objective information about retirement saving and distribution,' said Ted Goldman, Senior Pension Fellow at the American Academy of Actuaries.

Many people in the retirement industry are talking about open multiple employer plans these days, and the concept of a "Retiree MEP" was shared at a retirement policy forum called "Modernizing the U.S. Retirement System, which the American Academy of Actuaries (AAA) sponsored at the National Press Club in Washington, D.C. last week.

"The idea builds on the open multiple employer retirement plan ("open MEP") concept, which many people think has a good chance of passing Congress with next iteration of tax reform," AAA Senior Pension Fellow Ted Goldman told *RIJ* in an interview after the event.

In Goldman's vision of the future, a non-profit organization might sponsor an open MEP and invite companies to transition participant accounts in their existing 401(k) plans to the new plan. Within this MEP would exist a guidance platform--the Retiree MEP--where participants could receive objective information about retirement saving and distribution.

"Instead of putting the employer in the middle of it," Goldman said, the platform might provide, for instance, an annuity-screening tool to help participants find the best contracts, or a service that would help employees choose an asset management firm or a managed account service.

The platform might also include the capability to help near-retirees decide whether to take a structured withdrawal from their account in retirement, or whether to buy a deferred income annuity (such as Qualified Longevity Annuity Contract). Models for such service platforms already exist at closed multiple employer plans, he said, such as the National Rural Electric Cooperative, Goldman said.

Attendees at the invitation-only forum represented congressional offices, government agencies, nonprofit organizations including the Academy, and academia. In addition to Goldman, speakers and panelists included:

Social Security Administration Chief Actuary Steve Goss, who framed how the current and future benefits provided by Social Security fit in the bigger retirement income picture, and

described Social Security's financial condition.

- Lori Lucas, president and CEO of the Employee Benefit Research Institute, who moderated the program and facilitated the Q&A periods.
- Mark Iwry, nonresident senior fellow in Economic Studies at The Brookings Institution; visiting scholar, The Wharton School, University of Pennsylvania; and former senior advisor to the secretary of the Treasury.
- Steve Vernon, research scholar at the Stanford Center on Longevity.

Major themes of discussion included:

- Restoring public confidence in Social Security and Medicare
- Creating incentives to work longer
- Providing protections and incentives to employers and service providers
- Incorporating risk-mitigation strategies into plan designs

A position statement published by the Academy in fall 2017, "Retirement Income Options in Employer-Sponsored Defined Contribution Plans," illustrates how actuarial principles can potentially be applied for improved lifetime income outcomes in a retirement system that has largely shifted to defined-contribution plans.

The American Academy of Actuaries is a 19,000-member professional association for the U.S. actuarial profession. It assists public policymakers with objective expertise and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the U.S.

More information about the Academy's work on retirement policy issues can be found at actuary.org under the "Public Policy" tab.

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