

# Multiemployer v. Multiple Employer

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## *Part 3 of our series on Understanding Employer Structures*

*The Understanding Employer Structures series explains how employer structures can affect qualified retirement plans. Previous parts tackled [Controlled Groups & Affiliated Service Groups](#). The next article in this series will discuss Attribution Rules.*

Despite their similar names, Multiemployer Plans and Multiple Employer Plans are very different. As their names suggest, both service more than one employer, however, each plan type services a distinct group and abides by separate rules.

### **Multiemployer Plans**

A Multiemployer Plan, often referred to as a “Taft-Hartley” Plan, is collectively bargained and maintained by a labor union and more than one contributing employer, typically of related or similar industries. Multiemployer Plans are prominent in industries such as building & construction, entertainment, food, and manufacturing. Often, these Plans are jointly administered by a board of trustees, including labor and management representatives. Plan decisions, such as setting or changing the contribution rate, are made either by the board of trustees or through collective bargaining agreements. Multiemployer Plans are similar to Single Employer Plans in that they are subject to many of the same vesting, accrual, and minimum participation rules. A special feature for Multiemployer Plans is the ability for benefits and service to transfer with an employee if he/she moves from one employer to another in the same Plan.

### **Multiple Employer Plans**

Multiple Employer Plans (MEPs) differ from Multiemployer Plans in that they are essentially Single Employer Plans adopted by multiple, unrelated Plan Sponsors. Often, the Plan Sponsors have adopted the same or similar Plan. These Plan types may be adopted by unrelated controlled groups or affiliated service groups, previously discussed in this series, as well by large employer groups called Professional Employer Organizations or PEOs. Controlled groups and affiliated service groups are treated as a Single Employer for qualified plan purposes. Multiple Employer Plans for PEOs, however, operate very differently. The PEO is treated as one entity for investment management, administration, and for purposes of following the Plan document. For compliance testing, each employer in the PEO is tested separately. The PEO and employer are treated as “co-employers”. The employer is responsible for the day-to-day supervision of employees while the PEO is responsible for the back-end functions of employment such as payroll, insurance, and employee benefits.

## Conclusion

Despite the similarity in their names, Multiemployer Plans and Multiple Employer Plans are very different. The rules for different plan types can be tricky and change drastically based on the structure of the organization. For this reason, fully disclosing organizational structure, controlling interest, and service arrangements to Plan consultants is immensely important.