

Publications

# IRS Proposed Rule Offers Relief to The Multiple Employer Plan One Bad Apple Rule

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For years, many members of the retirement community have been in favor of an expansion of the availability of multiple employer plans (MEPs) as a way to encourage more small employers to sponsor a retirement plan. The two issues most commonly cited as challenges in expanding the use of MEPs have been (1) the Employee Retirement Income Security Act's commonality requirement and (2) the IRC §413(c) requirements for multiple employer plans – most notably concerns that issues with one employer could lead to the disqualification of an entire MEP, which is commonly known as the “one bad apple” rule.

MEPs allow two or more employers who do not belong to the same group of controlled corporations to combine their resources in order to sponsor a tax-qualified retirement plan, with a centralized governance structure for plan administration. The article linked below focuses on the one bad apple rule.