

U.S. Department of Labor

Pension and Welfare Benefits Administration
Washington, D.C. 20210



SEP 4 1990

ERISA SECTION 90-30A
Sec. 3(40), 514(b)(6)

Mr. Steven L. Imber
Kansas Insurance Department
420 S.W. 9th
Topeka, Kansas 66612-1678

Dear Mr. Imber:

This is in reply to your request for an advisory opinion regarding the applicability of title I of the Employee Retirement Income Security Act of 1974 (ERISA). Specifically, you ask whether the Kansas Dental Association Voluntary Employees' Beneficiary Association Trust (the KDA Trust) is an employee welfare benefit plan within the meaning of section 3(1) of title I of ERISA and whether the KDA Trust is a multiple employer welfare arrangement (MEWA) within the meaning of section 3(40) of that title.

According to the information submitted, the KDA Trust was created pursuant to a trust agreement, between the Kansas Dental Association (the Association) as the Grantor and seven unidentified individuals as Trustees. The trust agreement states that the Grantor intends to adopt health care and welfare plans for the benefit of its employees, members, and employees of its members, and that the Board of Trustees serves as Trustee of the KDA Trust. The Plan Document states that the effective date is November 1, 1985.

Participation in the KDA Trust is limited to employees of the Association, members of the Association, and employees (and their dependents) of members of the Association. With regard to membership in the Association in a letter dated April 24, 1990, addressed to the Kansas Insurance Department, Mr. Stanley D. Slagg of Beamer, Slagg, Bradford and McCormick, representing the KDA Trust and its Board of Trustees, stated:

The membership of the KDA is comprised of Active members who are dentists duly licensed to practice in the State of Kansas and members in good standing of a component society which holds a charter from the KDA. Other membership categories are Life, Temporary, Honorary, Associate, and Retired members. Of the 1,660 dentists in practice in Kansas, 1,166 are members of the KDA.

In a telephone conversation with a representative of this Office, you also stated that the employers utilizing the KDA Trust to provide benefits to their employees do not constitute a "control group" within the meaning of section 3(40)(B) and that the KDA Trust is not maintained pursuant to any collectively bargained agreement.

Section 3(40)(A) of title of ERISA defines the term "MEWA" to include:

...an employee welfare benefit plan, or any other arrangement (other than an employee welfare benefit plan), which is established or maintained for the purpose of offering or providing any benefit described in paragraph (1) to the employees of two or more employers (including one or more self-employed individuals), or to their beneficiaries, except that such term does not include any such plan or other arrangement which is established or maintained--

(i) under or pursuant to one or more agreements which the Secretary finds to be collective bargaining agreements, or

(ii) by a rural electric cooperative.

Section 3(40)(B) provides in pertinent part:

For purposes of this paragraph --

- (i) two or more trades or businesses, whether or not incorporated, shall be deemed a single employer if such trades or businesses are within the same control group,
- (ii) the term "control group" means a group of trades or businesses under common control,...

Based upon the information you submitted, it is the position of the Department of Labor (the Department) that the KDA Trust is a MEWA within the meaning of section 3(40). The KDA Trust covers the employees of two or more separate, independent employers, is not maintained by a rural electric cooperative, and is not maintained under or pursuant to any collective bargaining agreement.

Although section 514(a) of ERISA provides that any state law or regulation which relates to an employee benefit plan covered by ERISA is preempted, section 514(b) of title I of ERISA provides:

(6)(A) Notwithstanding any other provision of this section-- (i) in the case of any employee welfare benefit plan which is a multiple employer welfare arrangement and is fully insured (or which is a multiple employer welfare arrangement subject to an exemption under subparagraph (B)), any law of any State which regulates insurance may apply to such arrangement to the extent that such law provides--

(I) standards, requiring the maintenance of specified levels of reserves and specified levels of contributions, which any such plan, or any trust established under such a plan, must meet in order to be considered under such law able to pay benefits in full when due, and

(II) provisions to enforce such standards, and

(ii) in the case of any other employee welfare benefit plan which is a multiple employer welfare arrangement, in addition to this title, any law of any State which regulates insurance may apply to the extent not inconsistent with the preceding sections of this title.

(B) The Secretary may, under regulations which may be prescribed by the Secretary, exempt from subparagraph (A)(ii), individually or by class, multiple employer welfare arrangements which are not fully insured. Any such exemption may be granted with respect to arrangement or class of arrangements only if such arrangement or each arrangement which is a member of such class meets the requirements of section 3(1) and section 4 necessary to be considered an employee welfare benefit plan to which this title applies.

Although section 514(b)(6)(B) provides that the Secretary of Labor may prescribe regulations under which the Department may exempt MEWAs from state regulation under section 514(b)(6)(A)(ii), the Department has previously stated that it did not see the need to prescribe regulations under section 514(b)(6)(B) to exempt MEWAs from state regulation. The Department, at this time, has not changed its position. Accordingly, the Department is not providing MEWAs exemptions under section 514(b)(6)(B) from state regulation.

It is, therefore, the Department's position that the KDA Trust is subject to state regulation at least to the extent provided in section 514(b)(6)(A), regardless of whether it is an employee benefit plan covered by title I of ERISA, because it is a MEWA within the meaning of section 3(40) of that title.

Because your request for an advisory opinion was concerned primarily with the issue of whether or not the KDA Trust is subject to the applicable regulatory authority of the State of Kansas's insurance laws or is saved from such authority under the general preemption provision of section 514(a) of title I of ERISA, and because of the opinion above, we have determined it is not necessary at this time to render an opinion as to whether the KDA Trust is an employee welfare benefit plan within the meaning of section 3(1) of that title.

The preceding constitutes an advisory opinion under ERISA Procedure 76-1. Accordingly, it is issued subject to the provisions of that procedure, including section 10 thereof relating to the effect of advisory opinions.

Sincerely,

Robert J. Doyle
Director of Regulations and Interpretations