

Key Considerations When Evaluating a Pooled Employer Plan (PEP)



Why Consider a PEP?

Managing a retirement plan is complex, costly, and time-intensive. A PEP provides a turnkey solution—consolidating administration, fiduciary oversight, and compliance—so employers can reduce burdens, benefit from economies of scale, and focus on their business while still offering employees a strong retirement benefit.

What to Look for in a PEP



Type of PEP

- Some PEPs offer uniform features, while others allow customization.
- Determine which model aligns with your business goals and employee needs.



Experience of the Pooled Plan Provider (PPP)

- Federal law requires every PEP to be administered by a PPP.
- Evaluate their qualifications: years in business, client base, service quality, staff expertise, and registration with the Department of Labor.
- Ask about plan size (number of employers, participants, assets) to assess economies of scale.



Fees and Expenses

- Understand all service costs—recordkeeping, trustee, custodial, audits, and administration.
- Confirm how fees are allocated among employers and participants, including any start-up costs.
- Ask if the provider receives compensation from third parties or uses participant data for cross-selling.



Investment Options

- Review the number, quality, and diversity of fund choices.
- Ask how funds are selected and monitored, what the default option is, and whether Target Date Funds are offered.
- Clarify fees tied to investments and whether the PPP has hired a fiduciary investment manager.



Fiduciary Responsibilities

- Confirm whether the PPP assumes fiduciary liability for investment selection and plan operations.
- Review governing documents carefully to ensure administrative and operational duties do not fall back on you.



Ongoing Monitoring

- Employers must periodically review the PPP's performance, fees, and participant experience.
- This includes confirming fees remain consistent with agreements and monitoring the resolution of participant issues.



Exit Provisions

- Understand what happens if you decide to leave the PEP or employees separate from service.
- Ask about restrictions, penalties, market value adjustments, forfeitures, and whether participant accounts can remain in the PEP after your exit.

A PEP can dramatically simplify plan management, but not all PEPs are the same. By carefully evaluating the plan structure, provider qualifications, fees, investments, fiduciary liability, and exit terms, employers can choose the PEP that best aligns with their business objectives and employee needs.

Talk to a Pentegra PEP expert. Contact the Pentegra Solutions Center at solutions@pentegra.com or 855-549-6689.
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