Georgetown University
McCourt School of Public Policy

Center for Retirement Initiatives

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Can PEPs Transform the Retirement Landscape? A Look at Current Progress and Future Direction

Panelists: (in order of presentation)

- **Michael Kreps,** Principal, Groom Law Group
- **Scott Carroll ,** Senior Consultant, Gallagher
- **Michael Salerno,** Founder and CEO, NPPG
- **David Lipscomb,** Product Manager, Pooled Plans, Ascensus
- **Kevin Gaston,** Head of Strategic Retirement Consulting, Vestwell

Moderator:

- **Angela Antonelli**, Research Professor and Executive Director, Georgetown University Center for Retirement Initiatives

Michael Kreps

Principal, Groom Law Group

Secure Act & PEPs

- The Secure Act permitted unrelated employers to join PEPs.
  - New type of multiple employer plan
  - Subject to additional requirements, including having a “pooled plan provider”
- Goals
  - “Professionalizing” plans
  - Inching away from employer-centric model
  - Aligning legal responsibilities with operational responsibilities
  - Achieving economies of scale
- Congress was very careful to ensure a level playing field between PEPs, existing plans
  - PEPs explicitly permit an outsourced fiduciary model but…
  - Similar governance structures are permissible using single-employer model

Scott Carroll

Senior Consultant, Gallagher

So what is a Pooled Employer Plan (PEP)?

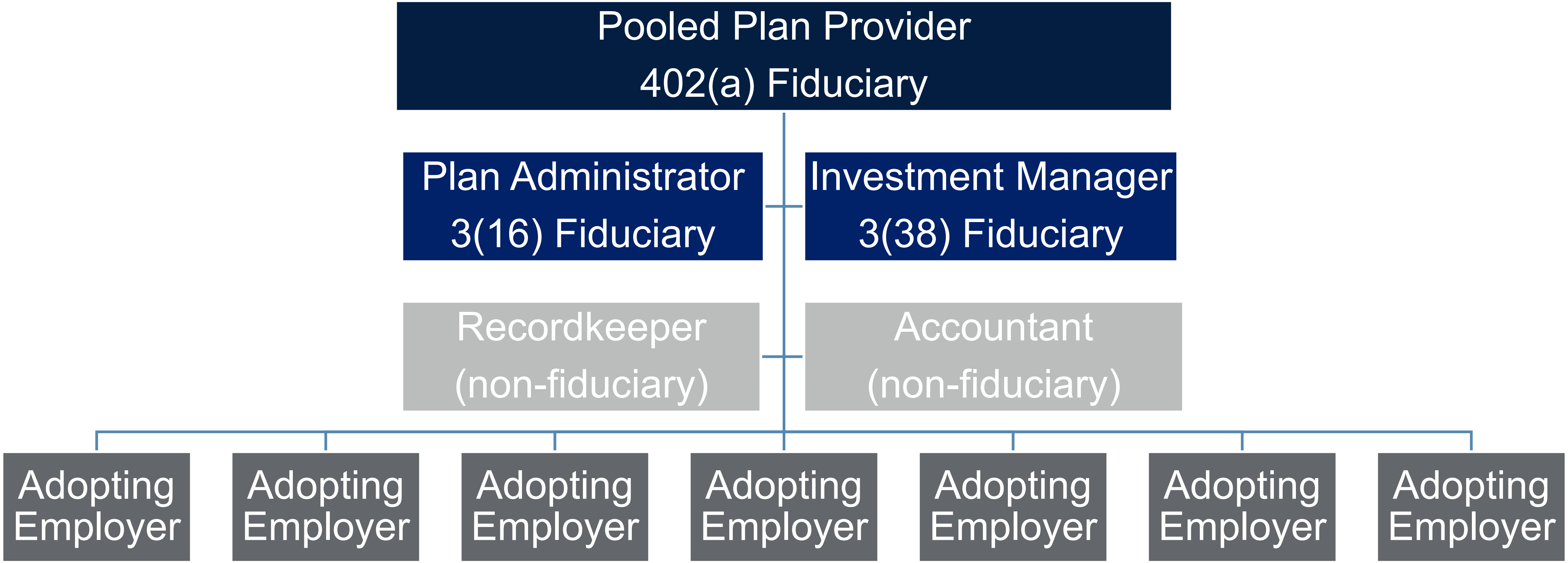
Technically, it is a type of a Multiple Employer Plan (MEP) which allows unrelated employers to participate in a single, professionally managed plan

- Under a PEP, the lead employer is replaced by a Pooled Plan Provider (PPP) serving as the plan sponsor
  - The PPP can be a third-party administrator, 3(38) investment manager, recordkeeper, outsourced HR company, an attorney, bank, trustee, or even an individual
  - Depending on the structure of the PEP, the PPP may also be serving in other roles
  - As the plan sponsor, the PPP is ultimately responsible for the selection and oversight of other fiduciaries
  - PPPs must register with the Secretary of Labor and the Secretary of Treasury at least 30 days before they begin operations

The PPP serves as the 402(a) named fiduciary for the PEP and is responsible for ensuring any person or entity that handles assets of the PEP or is a fiduciary of the PEP maintains the required fidelity bond coverage

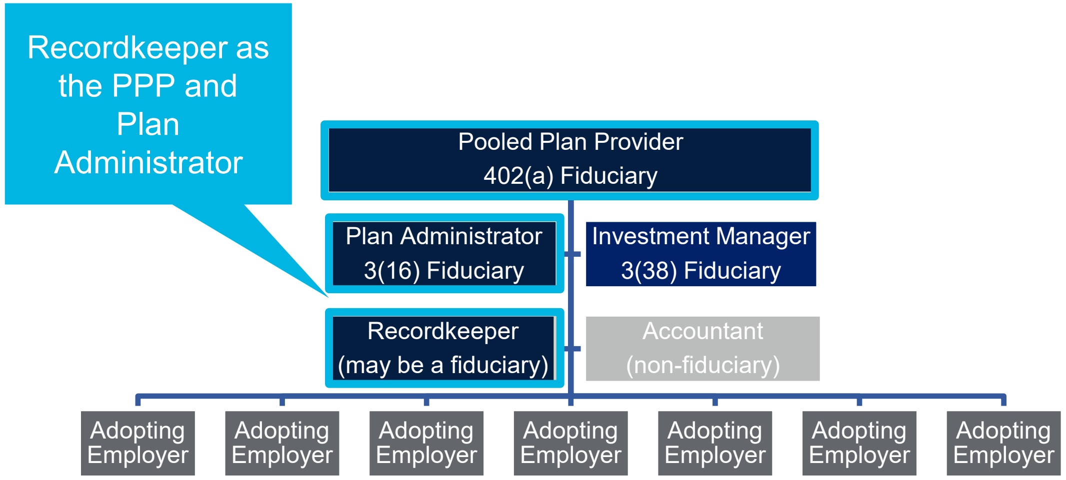
Pooled Employer Plan Structures

Example of a fully unbundled PEP with separate entities in each role

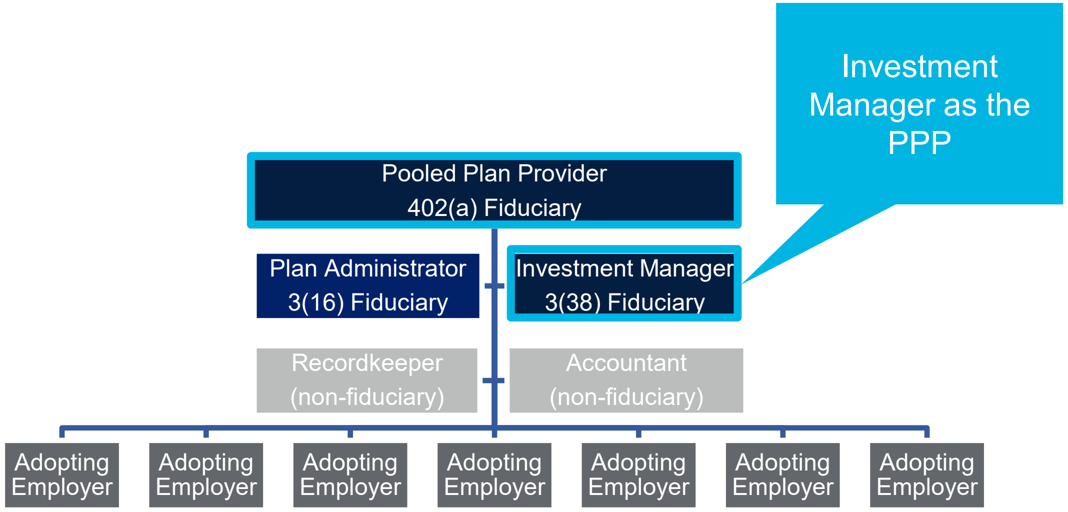


Pooled Employer Plan Structures

Example of bundled PEP structures



- Recordkeeper selection and monitoring is embedded in the PPP's RFI/RFP process
- Confirm who maintains authority over proprietary fund offerings, managed accounts, and other services
- Recordkeeper may be a fiduciary to the PEP as a result of their role as a PPP and 3(16) Plan Administrator



- 3(38) Investment Manager selection and monitoring is embedded in the 3(38) Investment Manager RFI/RFP process
- Plan Administrator may be the 3(38) Investment Manager, the recordkeeper, or a third-party administrator
- Recordkeeper likely remains in a ministerial role (non-fiduciary role)

Responsibilities of Adopting Employers

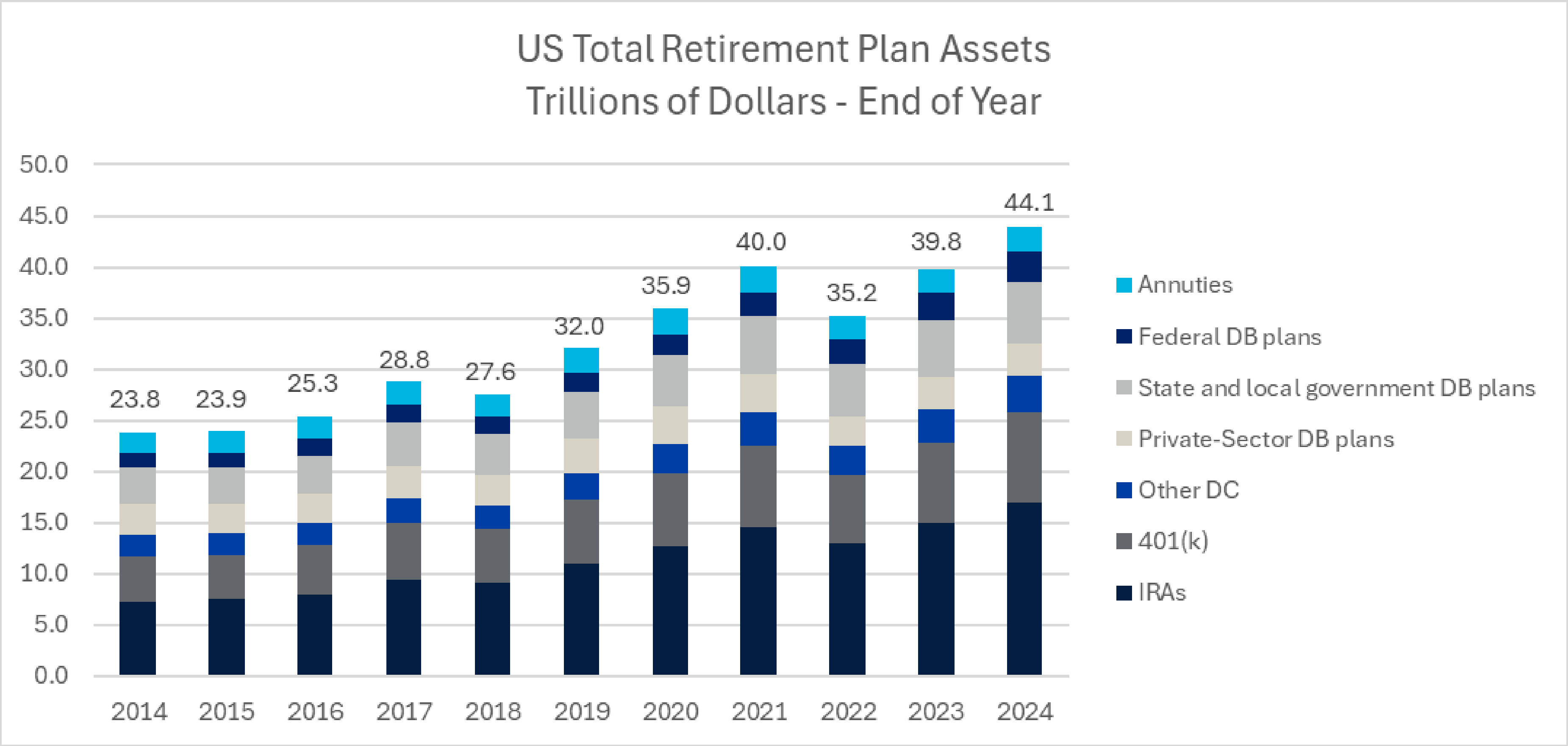
What type of fiduciary liability will an employer retain after adopting a PEP?

- Generally, fiduciary responsibility for a PEP's administration and investment of the PEP's assets resides with the PPP and other named fiduciaries designated by the PPP.
- However, an employer will be responsible for certain decisions.
  - Selecting and Monitoring the PPP and PEP Fiduciaries
  - Monitoring Investments (or Monitoring the Fiduciary Responsible for Investments)
  - ERISA Protections

An employer participating in a PEP should not have exposure for fiduciary breaches by the PEP's named fiduciaries unless the employer fails to take action to terminate its participation in a PEP when prudent to do so and the employer's participants suffer a loss as a result of a fiduciary breach by one of the PEP's named fiduciaries.

U.S. Total Retirement Market Assets

Trillions of Dollars – End of year from 2014 to 2024



Investment Company Institute (ICI) (2025) – Investment Company Institute (ICI). (2025). “Quarterly Retirement Data Tables”

Growth in the US PEP Marketplace (2021-2023)

	12/31/2021 Plan Year End	12/31/2022 Plan Year End	YOY Change	12/31/2023 Plan Year End	YOY Change
Assets	$1.8 billion	$4.5 billion	250%	$11.0 billion	248%
Participants	185,738	600,151	333%	1,102,007	184%
Adopting Employers	8,021	24,266	310%	39,477	163%

Source: Georgetown University Center for Retirement Initiatives. Totals compiled with data from publicly available Form 5500 filings https://www.efast.dol.gov/5500Search/

To better understand the growth, we reviewed the Top 25 PEPs as measured by assets, which represented 79% of Total PEP assets as of 12/31/2023. In total, 2/3rds of each incoming dollar in the Top 25 PEPs resulted from plan mergers from existing Single Employer Plans from 2021 to 2023.

PEP Utilization by Adopting Employer Size

As of 12/31/2023

PEP Adopting Employers by Assets	# Adopting Employers	Assets
Under $10M	39,323	$5,785 million
$10M to <$25M	109	$1,580 million
$25M to <$50M	22	$754 million
$50M to <$100M	14	$1,000 million
$100M to <$250M	6	$840 million
$250M to <$500M	3	$1,046 million
$500M or greater	None	None

Source: Georgetown University Center for Retirement Initiatives. Totals compiled with data from publicly available Form 5500 filings
https://www.efast.dol.gov/5500Search/

The majority of adopting employers were under $10 million in assets with 33,773 in a single PEP. We also identified 154 adopting employers whose assets were $10 million or more as of December 31, 2023.

Growth in UK's Largest Pension Scheme – NEST

While the US PEP marketplace remains in its infancy, global adoption of multiple or pooled employer arrangements has been strong. It normally takes about 10 years for widespread adoption after a policy change.

Year	Fiscal Year Ending	Members	YOY Change	Assets Under Management	YOY Change	Net Cash Flow	YOY Change
1	3/31/2014	1,221,207	-	£123,893,000	-	£116,020	-
2	3/31/2015	2,007,754	64%	£458,872,000	270%	£296,443	156%
3	3/31/2016	2,992,000	49%	£882,807,000	92%	£406,584	37%
4	3/31/2017	4,554,744	52%	£1,731,412,000	96%	£641,457	58%
5	3/31/2018	6,482,121	42%	£2,838,436,000	64%	£1,078,995	68%
6	3/31/2019	7,869,161	21%	£5,949,315,000	110%	£2,828,993	162%
7	3/31/2020	9,062,244	15%	£9,928,891,000	67%	£4,711,051	67%
8	3/31/2021	9,901,752	9%	£17,555,984,000	77%	£4,739,376	1%
9	3/31/2022	11,093,656	12%	£24,374,530,000	39%	£5,437,819	15%
10	3/31/2023	12,007,913	8%	£29,590,385,000	21%	£6,011,953	11%
11	3/31/2024	13,024,315	8%	£40,649,666,000	37%	£6,420,066	7%
12	3/31/2025	13,784,769	6%	£49,771,491,000	22%	£6,509,519	1%

Source: UK Nest. (2014-2025). "Scheme annual reports and accounts." London: Nest Corporation.

Fee Considerations

Joining a PEP will not always result in fee savings. In fact, fees may increase, as the PPP is assuming responsibilities the Single Employer Plan sponsor would have retained otherwise.

- Potentially Lowers Fees
  - Larger assets to leverage breakpoints to reduce investment costs
  - Economies of scale to lower recordkeeping fees
  - Combined Form 5500 with a single audit for entire PEP
- Potentially Increases Fees
  - Transitioning employer tasks and responsibilities to the PPP may result in higher fees for plan participants
  - Expanded services for the adopting employer and plan participants
  - Start up costs for new solutions that have not been recovered yet
  - Limitations for adopting employer to subsidize plan fees

Single Employer Plan fiduciaries should consider the cost of the service offering in addition to the overall suite of services by evaluating the overall value for fees paid to service providers.

Fiduciary Role After Adopting a PEP

Responsibilities change, but do not go away

- You still need a fiduciary committee
  - Selection and monitoring of the PPP
  - Meet periodically to review fund performance
  - Remain informed on the PEP offering
  - Benchmark your plan design
- Monitoring the PPP and underlying fiduciaries
  - Ensure PPP & other fiduciaries are following their processes
  - Monitor plan success measurements
  - Periodically benchmark services and fees
- Errors & Omissions, Directors & Officers, fiduciary liability insurance and fidelity bonding
  - Employers retain payroll and contribution funding responsibilities
  - Combination of PPP assuming liability and their insurance requirements may lower premiums
  - Retaining separate policies in addition to PPP coverage

Targeted Regulatory Fixes to Remove Friction

Alongside broader reforms, a handful of niche but meaningful technical issues could benefit from additional clarity or relief.

- Audit relief for transitioning plans
- Permit Short-Form 5500 for Frozen or Wasting Plans
- Guidance on Safe Harbor Plan Transitions Mid-Year
- Permit Roth IRA Rollovers into Employer Plans
- Enable Collective Investment Trusts (CITs) in 403(b) plans, including PEPs

Addressing Barriers to PEP Adoption

To accelerate adoption and improve retirement outcomes, lawmakers and regulators can play a more active role in the following areas:

- Improve education and outreach
- Standardize and clarify regulations
- Support innovation and competition
- Enhance reporting and transparency
- Remove barriers to investments in defined contribution plans
- Identify and address fiduciary concerns for pooled plan providers
- Explore future enhancements

Michael Salerno

Founder and CEO, NPPG

Georgetown University

Panel – 9/24/2025

NPPG
PLAN PROFESSIONALS
Pooled Plan Provider Services

Proposed PEP Requirements to obtain Safe Harbor

1. PPP registers with the Department of Labor and the Securities & Exchange Commission ("SEC") or equivalent regulatory body.
2. PPP is the named fiduciary for the Plan, as defined in 29 U.S.C. 1102.
3. PPP accepts full fiduciary responsibility and **does not** require adopting employer to select, hire, or perform ongoing monitoring of PEP service providers, including the 3(38) investment manager.
4. PPP demonstrates sufficient reserves or insurance to protect adopters.
5. PPP annually represents and warrants to each adopter items 1 thru 4.

NPPG
PLAN PROFESSIONALS
Pooled Plan Provider Services

David Lipscomb

Product Manager, Pooled Plans, Ascensus

Ascensus Pooled Plan Solutions

There are multiple ways we plug-in to support Pooled Employer Plans. Serving independently as pooled plan provider (PPP), 3(16) fiduciary, third-party administrator (TPA), recordkeeper—or all the above. Our offering is flexible to help where clients need us most.

Bundled

Turn-key PEP solutions

Un-Bundled

Partner with industry leading third-party pooled plan providers leveraging Ascensus recordkeeping

TPA / PPP

A flexible solution partnering with recordkeepers and/or pooled plan providers

What's next for PEPs?

PEPs are still relatively new; market competitiveness should be the deciding factor in winners and losers. Where could guidance be useful?

Safe Harbor?

- Focus on procedures regardless of plan type
- Help large and small employers alike

Audits

- Limit audit requirements on small adopters within a PEP

Employer Terminations

- Provide guidance to streamline balance rollover to IRA if an employer's business ceases to be operational

Late Contributions

- Smaller employers are less likely to have an integrated payroll service.
- Leading to micro 5330 or participant notices.

Kevin Gaston

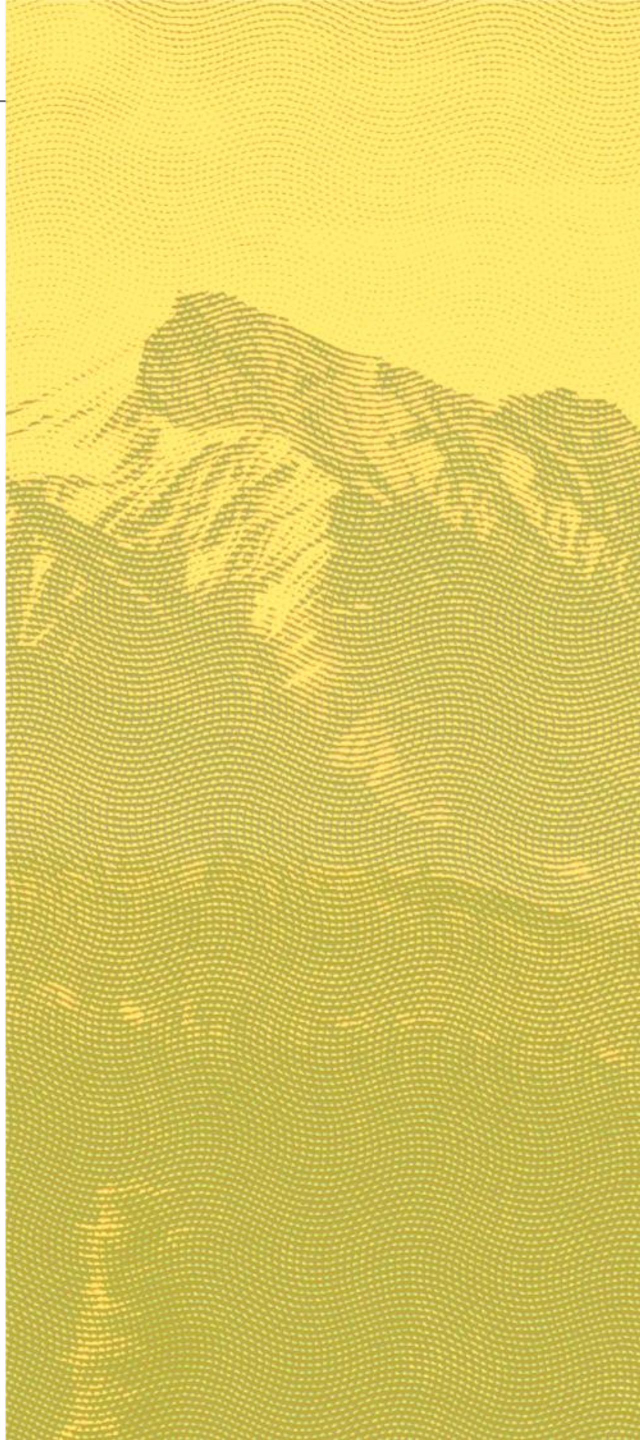
Head of Strategic Retirement Consulting, Vestwell

Vestwell's Role in the PEP space:

- Vestwell has been registered as a Pooled Plan Provider with the Department of Labor since January 7th, 2021
- Vestwell serves as PPP on numerous PEP offerings, with the twin goals of expanding retirement coverage, and reducing the liability and workload for existing sponsors of standalone plans.
- Vestwell partners with industry leaders in ERISA 3(38) Investment Management, ERISA 3(16) Plan Administration, and other Fiduciary matters.
- Vestwell has an in-house PPP Oversight Committee who meets regularly to oversee process, procedure, and industry and regulatory changes and opportunities.

Thoughts on the RFI:

1. Many PPP’s offer at least one other service to the PEP; while multiple services offered by a single provider is common in the single plan environment, clarity on the PPP role (or Safe Harbors) would be helpful for multiple-role PEP’s.
2. As smaller businesses enter PEP’s, some will inevitably fail, becoming non-compliant, or abandoned within the PEP. The current tools (“participating employer failure” remedies within IRC 413(e)) take a substantial amount of time to execute, impacting PPP administrative efforts, and IQPA completion. In short, it would be helpful to have faster moving tools to correct or remove participating employers who are out of compliance.



Michael Kreps

Principal, Groom Law Group

DOL RFI

- Issued on July 29, 2025
  - Responses due September 29, 2025
- "Tips" for employers considering PEPs
  - Series of considerations for employers
- Request for Information
  - 29 questions soliciting input
  - Focus on market practices
  - Potential regulatory safe harbor(s)
- Responses necessary for report to Congress

QUESTIONS?

Center for Retirement Initiatives
McCourt School of Public Policy

125 E Street NW, Suite 530, Washington, DC 20001
202-306-8540 | cri.georgetown.edu

Angela M. Antonelli
Executive Director
ama288@georgetown.edu

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