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Not So PEPpy? Think Group of Plans

Despite predictions by some that 2021 would begin with an explosion of Pooled Employer Plans (PEPs) as a result of the passage of the SECURE Act (Setting Every Community Up for Retirement Enhancement), that does not seem to be the case, so far.

Certainly there are many PEPs out there to choose from, but even at this early date in the calendar year it does not look like the prediction from the U.S. Department of Labor (DOL) that 3,200 firms would apply to administer PEPs — Pooled Plan Providers (PPPs) — is coming true.

Instead, eyes are again turning to the horizon — this time, to the 2022 plan year — when Form 5500 filings become available for another option, the Group of Plans (GoP).

I discussed the GoP option in an earlier blog, but given present circumstances, it seems like a good time to revisit the subject. After all, the GoP resembles a PEP in some significant ways ... so if it looks, feels and smells like a PEP, why isn't it a PEP?

A PEP allows unrelated employers that meet certain requirements (including having the same PPP) to join together and participate in a single retirement plan, thus lowering fees and receiving higher levels of service. Allow me to underscore that a PEP is a single plan.

A GoP allows employers — related or unrelated — to file a single Form 5500 for multiple defined contribution plans — again, to help cut down costs and receive higher levels of service. The plans making up the GoP must have the same trustee, administrator, fiduciaries, investments and plan year in order to be considered a GoP. Again, note the difference: a GoP is not a single plan, like a PEP, but does file a single 5500 filing. ("Group" is, after all, a singular noun.)

Which brings up another acronym: the Single Employer Plan (SEP). This is of course a solid option as well, but by its very definition, an employer may not realize the collective bargaining power that the economies of scale can afford them in a GoP, PEP, or multiple employer plan (MEP).

Another not insignificant detail when it comes to costs is that a SEP can pay thousands of dollars — or more, if it is large enough &38212; in audit fees. Those fees usually would be less with a PEP, and potentially could be even less than that with a GoP.

Keep in mind that if you intentionally keep a PEP small so as to run less risk of an audit, you may be missing out on the aforementioned benefits of scale.

Regardless of the type of plan that best suits the needs of a plan sponsor — SEP, PEP, GoP, or MEP — outsourcing fiduciary duty to a reputable third party can save time, money and hassle. A third-party administrator (TPA) is, by design, someone who can keep track of all of the regulations, deadlines, changes, and other ins and outs of a plan that someone who is busy actually running their business may miss.

As 2021 continues to evolve, and the GoP ship, as it were, comes more fully into view, we will be sure to provide updates on the situation.

Richard W. "Rich" Rausser *is senior vice president of client services at* ***Pentegra****, a provider of retirement plan, fiduciary outsourcing and institutional investment services to organizations nationwide.*

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