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PEP Talk: Demystifying PEPs – Roles and Responsibilities Explained

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Learning Objectives

At the end of the session, you will be able to:

- Define what a PEP is?
- Recognize the roles and responsibilities of the Pooled Plan Provider (PPP)
- Identify the roles and responsibilities as an adopting employer
- Identify audit requirement and what to expect if you are part of a PEP



Find support at *every* turn

Benefit from guidance on
all aspects of your business.





What is a PEP?



Challenges of 401(k)s for Smaller Companies

89% of U.S. Companies have less than 100 employees

- Of these companies, 58% don't offer a retirement plan

Complexity of 401(k) and 403(b) plans for smaller companies

- Largely the same requirements for small companies as large
- Personnel operating plan frequently wear many hats
- Smaller companies may experience more operational issues



Secure Act (Genesis of PEPs)



Permits establishment
of PEPs effective
January 1, 2021



No commonality or
geographic proximity
required



1 Form 5500 for PEP



One annual
independent audit for
PEP



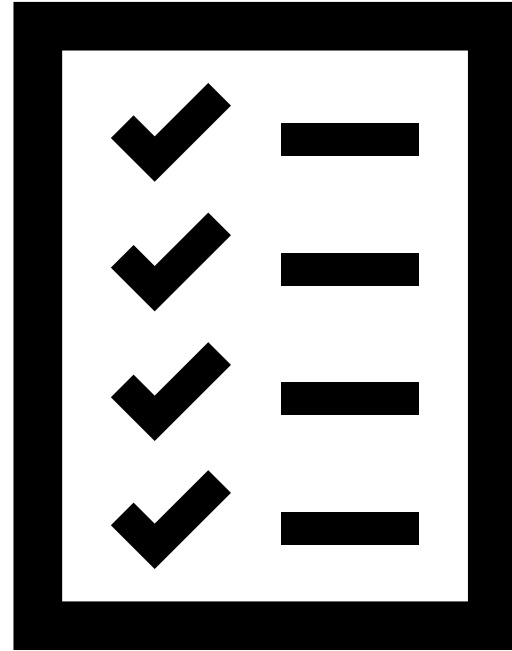
Repeals “one bad
apple” rule



PPP will need to
monitor and expel
“bad” employers

Secure Act 2.0

- Allowed Pooled Plan Providers to establish 403(b) Pooled Employer Plans for unrelated employers effective January 1, 2023



Benefits of a PEP



Outsource your Fiduciary Role

No more monitoring service providers
No more Investment Committee Meetings



Eliminates Annual Individual Form 5500 filings



Eliminates Plan Document/Restatement Fees



Gain economies of scale by combining assets with other accompanying employers under one plan for pricing discounts





Recognize the roles and responsibilities of the Pooled Plan Provider (PPP)



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What is a PPP?

The named fiduciary of the PEP

Functions as the plan administrator

Makes sure all firms handling assets are bonded

Discretion over Plan administration and investments

Selecting and monitoring Third Party Venders



Questions to Ask a Potential Pooled Provider

How much PEP or MEP experience does the PPP have?

How many PEPs does the PPP anticipate operating?

Experience of the PPP team members?

What other employers are in my PEP?

What happens if scale doesn't materialize?

Frequency/nature of reporting to adopting employers?

How is the investment menu determined and are their investments that meet the needs of my participants?

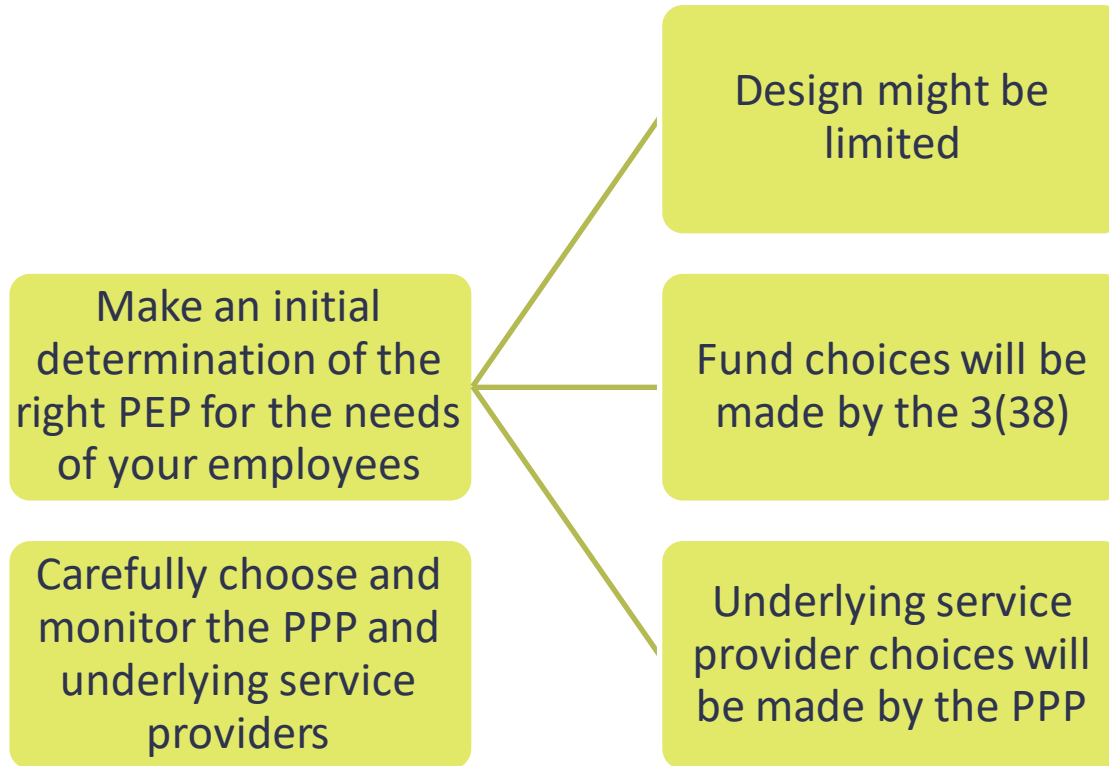




Identify the roles and responsibilities as an adopting employer



Employer Responsibilities in a PEP



Employer Responsibilities in a PEP

- Determine eligibility of participants
- Correctly calculate employee and employer contributions
- Remit employee contributions in timely manner
- Work with Pooled Plan Provider to set up payroll integration
- Submit data to PPP to complete compliance testing timely
- Maintain demographic and payroll support and respond to auditor requests in a timely manner





Identify audit requirement and what to expect if you are part of a PEP



Audit Requirements



Employers who adopt into a PEP will eliminate their annual 5500 and individual annual plan audit



A form 5500 and audit is required only of the PEP



PEP auditor is hired by the PPP



Participating employers will still need to provide audit support for eligibility and contributions

Common Audit Request of Participating Employers

- Year to Date Payroll Summary or Payroll report from period in the PEP – Determine completeness of Contributions
- Remittance Support for Contributions
- For a sample of employees
 - Support for Date of Hire and Date of Birth
 - Deferral Election request if not maintained by PPP or Recordkeeper
 - Detail payroll reports for a pay period



Auditing Contributions - Employers



Contribution completeness is required annually.



Audit methodology requires specific coverage over contributions for completeness.



Completeness is determined by comparing contributions per recordkeeper to either payroll reports or a confirmation from a participating employer



Employers whose contributions are over a specific materiality threshold, will need to provide support on an annual basis for contributions.





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Questions?

Thank you!

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