Pooled Employer Plan (PEP) vs. Single Employer 401(k)

Each has its own benefits and challenges, depending on the company's size, resources, and goals.

	PEP	Single Employer Plan
Understanding the Basics	PEPs allow unrelated employers to participate in a single, professionally managed 401(k) plan. The plan is overseen by a Pooled Plan Provider (PPP), which assumes many of the administrative and fiduciary responsibilities.	A retirement plan sponsored and maintained by a single employer. The employer is responsible for the plan's administration, compliance, and fiduciary oversight.
Investment Cost Considerations	By aggregating assets from multiple employers, PEPs can achieve economies of scale, often resulting in lower investment fees. This can be particularly advantageous for small to mid-sized companies.	Employers have flexibility in selecting investment options, potentially negotiating lower fees, especially if they have significant plan assets. However, smaller employers may face higher investment fees due to limited bargaining power.
Administrative Cost Considerations	Administrative costs are shared among participating employers, which can lower per-employer expenses. However, PEPs may charge additional fees for the pooled plan provider's services.	Employers bear the full cost of plan administration, including recordkeeping, compliance testing, audits (if applicable), and other services.
Administrative Responsibility	The PPP handles most administrative duties, including regulatory filings (e.g., Form 5500), compliance testing, and participant disclosures. This significantly reduces the administrative burden on the employer.	The employer is responsible for plan administration, including compliance with ERISA, IRS reporting, participant communications, and managing service providers. This can be resource-intensive, particularly for companies without dedicated HR or benefits staff.
Fiduciary Liability	The PPP assumes most fiduciary responsibilities, including investment oversight and plan management. However, employers still retain some fiduciary duties, such as the prudent selection and ongoing monitoring of the PEP and the PPP. PEPs generally reduce fiduciary liability for employers, which can be appealing to companies concerned about legal exposure.	The employer (or designated individuals within the company) serves as the plan fiduciary, bearing legal responsibility for the prudent management of plan assets, selection of investment options, and oversight of service providers.
Flexibility and Plan Customization	Provide less flexibility, as many plan design features are standardized across all participating employers. This uniformity simplifies administration but may limit customization options.	Offers maximum flexibility. Employers can tailor plan design features such as eligibility requirements, vesting schedules, employer match formulas, loan provisions, and investment options to meet specific business and employee needs.

	PEP	Single Employer Plan
Employee Experience	PEPs can offer a streamlined participant experience, but standardized features may not align perfectly with a company's culture or benefits philosophy.	Single employer plans can be tailored to enhance employee engagement and satisfaction.
Growth and Acquisition Strategy	PEPs may present challenges if the acquiring company has specific plan requirements that differ from the PEP's structure.	Companies planning mergers or acquisitions may find single employer plans easier to integrate or modify

- **For small to mid-sized companies** looking to reduce costs, simplify administration, and limit fiduciary risk, PEPs offer a compelling solution.
- **For larger companies** with the capacity to manage complex plan features and a desire for customization, a single employer 401(k) plan may provide greater value.

Ultimately, the best choice is the one that aligns with your company's goals while supporting the retirement readiness of your employees.

Talk to your financial professional to see which plan type is best for your company.