

# The Philadelphia Inquirer

TUESDAY, JUNE 3, 2025

## SMALL BUSINESS

### This retirement plan option is growing in popularity with small businesses

Pooled employer plans can be less costly for business owners to set up and maintain.

By Gene Marks

There's a new retirement plan option that's growing with small businesses. It's called a pooled employer plan or PEP. PEPs are specifically designed for small-business owners to help their employees save. Thanks to both the SECURE Act of 2019 and 2022's SECURE 2.0, more small businesses and nonprofits can now participate.

Employers with retirement plans generally have their own stand-alone 401(k) or 403(b) retirement plan. With a PEP, employers can link up with many other unrelated employers. They can even be from different industries and regions, or have other affiliations, in contrast with the requirements of other kinds of plans.

A PEP "pools" the assets of all of these members' retirement plans together, then they are supervised by a pooled plan provider, who serves as both the named fiduciary and plan administrator.

Recent studies have shown that PEPs are growing fast, with more than 1 million total participants nationwide and assets almost doubling since their expansion to small businesses allowed by the SECURE Act. The PEP market is expected to continue its upward trajectory, with projections suggesting assets could reach \$25 billion by the end of 2025,

which is up from the \$9 billion reported at the end of 2023.

"We've seen a big jump in the number of clients moving to our retirement plan administrative services over the past year, thanks to PEPs," said Michael Majors, a vice president of human resources services at the payroll processing firm Paychex. The firm recently announced that it had passed 100,000 401(k) clients, and Majors credits PEPs as a big factor.

Jim Kais, the Head of Group Retirement for Equitable, a financial services company with a variety of small and midsize clients in the Philadelphia area, said there have been as many as 350 PEPs established since the original SECURE Act.

"Given the structural improvements and regulatory push, PEPs could become a dominant force in the retirement market over the next decade," he said. PEPs provide at least three main benefits to small businesses.

For starters, the arrangement reduces liabilities to the owner. With standard retirement plans, the business owner is usually named as a fiduciary and is responsible for making sure that there are diverse investment selections, timely remittance of contributions, and that the plan follows its documentation. If something goes wrong, it's the fiduciary's responsibility, and this

creates an added headache and obligation for a business owner.

Joining a PEP means that a business owner can generally avoid these liabilities by delegating this responsibility to the PEP administrator who also serves as a financial adviser.

Kelly Michel, a retirement expert, said the administrators of PEPs are generally financial experts and it's "incredibly important to have a financial adviser support you if you're a small-business owner. You don't know what you don't know and you don't want to get yourself in trouble."

Establishing a PEP outsources these responsibilities to advisers with more experience.

Also important: PEPs lower retirement plan costs for employers.

All the administrative and compliance work for companies that belong to a PEP — filing tax forms, audits, payment management, communications to employees, "discrimination" testing (an annual process for companies sponsoring retirement plans to ensure the plans do not unfairly favor highly compensated employees over non-highly compensated employees) — is done by one administrator and the costs are shared among the participating plans. This is almost always a less expensive approach thanks to economies of scale.

“If you’re a business owner I’m sure you’d like to put maybe a few grand back in your pocket as savings,” Kais said. “You can then re-deploy your staff who were previously doing this administrative work to more revenue-producing tasks in the firm.”

Finally, being part of a PEP means that a company’s retirement plan benefits are competitive and likely offer more options than if the plan was being maintained by an individual business. This helps attract and retain workers.

“PEPs allow for tailored plan features such as new comparability formulas, unique vesting schedules, and eligibility rules,” Kais said. “These factors make them ex-

tremely suitable for high-income or closely held firms.”

While all of these reasons are attractive, joining a PEP is not without its challenges.

Because the retirement plan involves multiple employers, it offers fewer options to customize. Business owners will relinquish much of the control of their 401(k) plans to the PEP administrator, and there’s always the risk of poor quality of service or fees that are similar to what’s currently being paid.

And while transitioning from a 401(k) to a PEP is not a full plan termination, it does involve a restatement and a new implementation, which can take an estimated 8 to 12 weeks, according to Kais. All of this

will also need to be explained to employees.

Still, the benefits of PEPs can significantly outweigh the costs, particularly for small businesses.

“Small businesses often avoid offering retirement plans due to perceived high costs, fiduciary complexity, and administrative burden,” Kais said. “PEPs directly address these barriers.”

Michel said 55 million Americans don’t have retirement savings and are often employed by small businesses “where the owner doesn’t believe they can afford to set a plan up.”

“A PEP makes it much easier for employers to provide a retirement plan for these employees,” she said.

(#S0131810) Copyright © 2025 by The Philadelphia Inquirer. Reprinted with permission.  
For more information about reprints and licensing, visit [www.parsintl.com](http://www.parsintl.com).

---

This educational article does not offer or constitute, and should not be relied upon, as tax or financial advice. Your unique needs, goals and circumstances requires the individualized attention of your own tax and finance professionals. The subsidiaries of Equitable Holdings, Inc., do not endorse, approve or make any representations as to the accuracy, completeness or appropriateness of any part of any non-Equitable content linked to from this article. Equitable is the brand name of the retirement and protection subsidiaries of Equitable Holdings Inc., including Equitable Financial Life Insurance Company (Equitable Financial) (NY, NY), and Equitable Financial Life Insurance Company of America (Equitable America), an AZ stock company with an administrative office in Charlotte, NC, and Equitable Distributors, LLC. The Subsidiaries of Equitable Holdings, Inc. do not provide tax or legal advice or services.  
GE-8055120.1 (06/25)