Aon launches ‘PEP,’ with Voya as recordkeeper

By Kerry Pechter *Thu, Jun 25, 2020*

The 'pooled employer plan' era has arrived, courtesy of the SECURE Act. PEPs could fundamentally alter the defined contribution retirement savings industry in the U.S.

Aon plc, the global employee benefits firm, has launched a Pooled Employer Plan (PEP), with itself as the “pooled plan provider” and fiduciary. After a competitive bidding process, Aon chose Voya Financial as the recordkeeper for the new plan, which will be available Jan. 1, according to an Aon release today.

If they catch on, PEPs could transform the federally-regulated 401(k) defined contribution savings industry in the U.S. By allowing service providers to consolidate dozens or hundreds of small individual plans into large omnibus plans, they would gain vast new economies of scale.

Lots of questions still remain about PEPs:

- Will the benefits of those economies of scale will be passed on to plan participants?
- Will PEPs significantly expand access to workplace retirement savings plans in the U.S.?
- Are there conflicts of interest inherent in provider-sponsorship of 401(k) plans?
- Will PEP sponsors try to consolidate existing plans or create new plans?
- What fiduciary responsibility will employers retain?
- Will PEPs create new monopoly power among service providers in the retirement business?
- Will PEPs wipe out large numbers of “mom-and-pop” 401(k) service providers?
- Could PEPs increase or decrease the likelihood of offering annuities in 401(k) plans?

The U.S. Department of Labor is currently gathering comments on some of those issues. (See today’s story in *RIJ* on the official Request for Information.)

The new PEP stems from the Setting Every Community Up for Retirement Enhancement (SECURE) Act provision allowing employers to join forces to create 401(k) plans. Voya serves approximately 13.8 million individual and institutional customers in the U.S. Click **here** for more information from Aon.

According to today’s press release:

“Aon’s PEP will relieve employers of many fiduciary duties they have today. Due to the economies of scale, it also has the potential to lower fees for plan participants and provide access to state-of-the-art features that may be difficult for individual employers and fiduciary committees to both assess and access independently.

“The defined contribution plan provides the efficiency and scale of a pooled plan, while maintaining individual employer autonomy to define matching and other contribution levels, and various key plan design features. It also has the potential to provide cost savings to employers of all sizes.

“The SECURE Act, which was federal legislation passed into law December 2019, was designed to encourage broader 401(k) plan participation and greater retirement savings.

“With the law’s passing, employers will no longer need to sponsor their own individual 401(k) plan and absorb the risks and workload associated with that role. Instead, employers from all industries and sizes may pool resources together to increase efficiency and create better outcomes for participants.”