Pooled Employer Plans
Background and Benefits for Private Equity Firms

CALFEE

Background

The recently enacted SECURE Act provides a new opportunity for separate employers who sponsor 401(k) plans to band together and form a single Pooled Employer Plan ("PEP").

Benefits

Under a Pooled Employer Plan, an employer may:

- Outsource its 401(k) plan's fiduciary and administrative responsibilities to the "Pooled Plan Provider," who will sponsor and administer the PEP and assume the related risks and liabilities
- Outsource plan audit and Form 5500 filing responsibilities to the Pooled Plan Provider
- Have access to more tailored investment options with oversight from a fiduciary expert and typically achieve better net performance as a result of lower administrative and manager expenses
- Receive lower administrative and recordkeeping fees based on the economies of scale associated with being part of a larger PEP
- Maintain its existing 401(k) plan design or update the design to fit the employer's needs (each employer may have its own plan design)
- Be secure that operational failures by another employer in the PEP will not affect other employers in the PEP

By incorporating the benefits mentioned above, many private equity firms will gain significant time and resource capabilities of senior officers to focus on doing what the firm does best: identifying opportunities, making investments, and developing relationships with investors and business partners.

How a PEP Would Work for a Private Equity Fund

Under the current model, each portfolio company within a private equity fund likely sponsors and maintains its own 401(k) plan. This means that each company is a "named fiduciary" for its own 401(k) plan and is responsible for administering the plan, hiring and monitoring the plan's service providers and investment advisors, engaging auditors for annual audits, filing Form 5500s, ensuring the plan is in compliance with current legal requirements and operated accordingly. In addition, smaller plans often have limited investment options that aren't tailored to them and typically pay disproportionately higher fees and expenses.

Under the PEP model, the private equity fund would pool together each portfolio company's 401(k) plan into a PEP. All of the fiduciary and administrative responsibilities listed above would be outsourced to the Pooled Plan Provider, who would handle the administration and maintenance of the plan. Likewise, due to the increased size of the plan, the companies will have access to more tailored investment options at better prices as well as save on administrative fees and expenses.

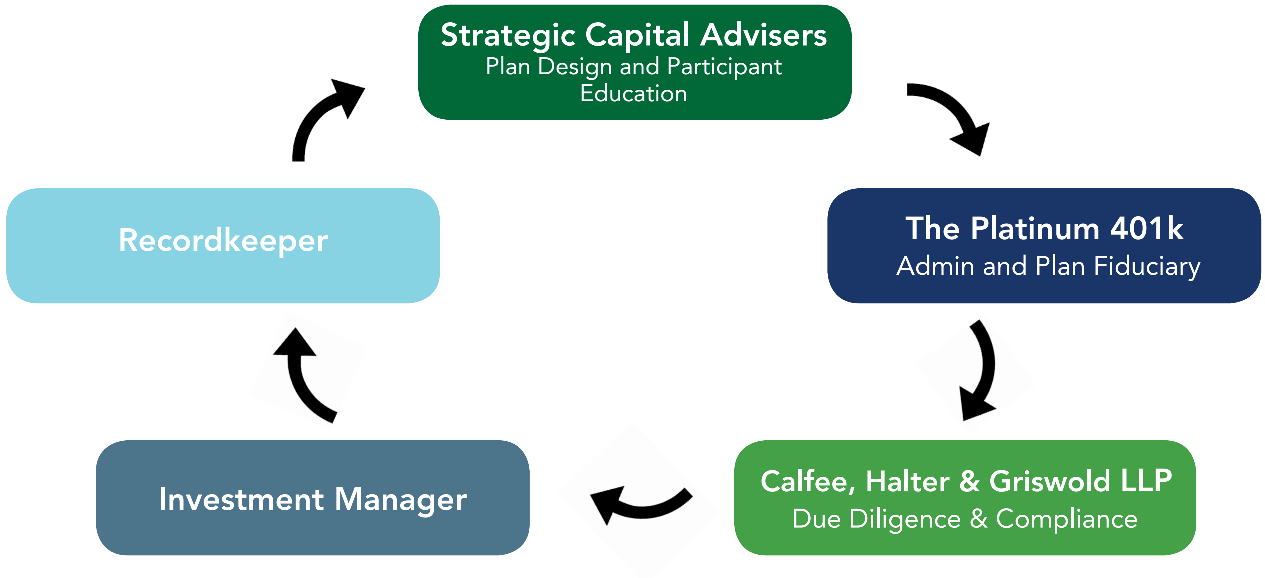
By forming a PEP, portfolio companies may offload many of the fiduciary and administrative burdens of running a 401(k) plan to the Pooled Plan Provider and focus on their core business operations.

Access to Industry-Leading Service Providers

Calfee has developed strategic relationships with some of the most experienced service providers in the industry with specific expertise in building, implementing and administering pooled employer plans:

- **Strategic Capital Advisers (SCA)** – Plan design and ongoing participant education
- **The Platinum 401k** – Fiduciary and administrative services for ERISA Plans

PEP "Dream Team" Ecosystem



Pooled Employer Plan Opportunities for PE Firms and Portfolio Companies

- **Firm PEP** – A PE firm could establish its own PEP to support all its portfolio companies, thus eliminating many of the administrative burdens and minimizing fiduciary risks associated with maintaining individual 401(k) plans at each company
- **Third-Party PEP** – A PE firm's portfolio companies could join a PEP already formed by another company (e.g., SCA, Calfee, etc.); this setup provides the lowest drain of internal resources and allows for ease and efficient transition of portfolio company benefit programs after an exit

For more information on Pooled Employer Plans and related opportunities, please contact a member of the Calfee team:

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