

Rising Markets Don't Lift All Participants

Markets have been flirting with record highs on a regular basis, but not all employees are riding the wave toward retirement readiness. According to Vanguard's How America Saves 2025, participation and/or balances still lag for low-income workers, young employees, women, and those with short tenure. These segments face unique hurdles that statistical averages may conceal.



Forward-thinking plan sponsors can respond with non-fiduciary plan design and education strategies that go beyond the obvious to address real-world financial challenges.

Sidecar emergency savings

Help employees better manage cash flow and reduce the likelihood of early withdrawals that can undercut retirement readiness. By giving workers a safe cushion with a pension-linked emergency savings account (PLESA), sponsors can help employees ease day-to-day financial stress and avoid the long-term consequences of tapping retirement accounts early. They might even lower reliance on 401(k) loans by providing another source of accessible funds.

Student loan repayment benefits

Engage younger workers in ways that match their financial realities in a relatable way. For example, with SECURE 2.0, sponsors can offer matching contributions on student loan payments, allowing participants to reduce debt while building retirement savings. More broadly, education is key to encourage the establishment of early saving habits, proactive student debt management, and consistent retirement plan contributions — tangible steps toward long-term financial health.

Retirement reboot campaigns

Sponsors can help smooth the path to restarting contributions for employees returning from family leave by providing targeted education. For workers balancing caregiving responsibilities and income interruptions, a re-engagement initiative can include a welcome back package, retirement restart kit, an invitation to a personalized advisory reset session, catch-up contribution calculators, and other relevant educational resources. These steps can help reduce the risk of lost saving momentum during major life transitions.

Targeted financial wellness.

Education can address the needs of groups most at risk of falling behind. Well-designed education programs use inclusive examples, real-life scenarios, and accessible language that resonates with different demographics. Just as importantly, the content should cover practical topics that naturally align with common challenges these groups often face — such as budgeting on variable income, managing high-interest or student debt, or rebuilding savings after a career break.

Looking Past Numbers to Participant Needs

Retirement readiness averages may be misleading when outliers can have an outsized effect on performance metrics. Sponsors who take a deeper dive into their participant segments and are willing to think creatively can shift mindsets to help close participation gaps.

Sources:

https://institutional.vanguard.com/content/dam/inst/iig-transformation/insights/pdf/2025/has/2025_How_America_Saves.pdf

<https://www.plansponsor.com/plan-design-strategies-boost-retirement-outcomes-low-income-participants/>

<https://www.irs.gov/pub/irs-drop/n-24-63.pdf>

PEPs Gaining Ground, But One Size May Not Fit All

The Department of Labor (DOL) is asking for public input on how to support small businesses that want to adopt pooled employer plans (PEPs), a signal that regulators see these arrangements as one way to help close the coverage gap. PEPs have gained significant traction since they first became effective in 2021.

PEPs expand on the Multiple Employer Plan (MEP) model by addressing two features that previously complicated participation in these plans. First, they eliminate the “commonality” requirement, which stipulates that employers must share an industry or location. And second, they sidestep the “one bad apple” rule, where one employer’s mistake could jeopardize the qualified status of the entire plan. PEPs are required to be administered by a pooled plan provider, or PPP.

These plans are showing signs of growth. Aon’s PEP, for example, has more than doubled in assets over the past two years and now manages over \$5 billion for 130 employers and 100,000 participants. According to the DOL, per-participant costs in the three largest PEPs ranged from 0.23% to 0.42% in 2023, compared with Morningstar’s data showing the median cost in small stand-alone plans at 0.84%.

Limitations and Considerations

Nonetheless, PEP adoption by small businesses has yet to become widespread. Standardized plan designs often leave less room for customization to meet the unique needs of any given workforce. Employers seeking flexibility in match formulas, auto-features, or financial wellness programs may find many PEPs too rigid.

Employers also give up a measure of governance and control, since fiduciary and administrative



decisions are more centralized within the pooled arrangement. This differs from traditional plans, where sponsors can have greater flexibility to change out a recordkeeper, investment menu, or a Third-Party Administrator (TPA) that's not a good fit. And because the PEP model is still relatively new, the regulatory environment remains fluid. Guidance from the DOL and other agencies will continue to evolve, and plan sponsors may encounter changes along the way.

PEPs are not universal or a complete solution. According to the Federal Register, "Under federal law, employers joining a PEP are legally responsible as fiduciaries for the proper selection of investment options for their employees unless the pooled plan provider hires an investment professional to act as a fiduciary with respect to investment selection." Sponsors also have a duty to prudently select and monitor the PPP and other providers/fees.

Takeaways for Plan Sponsors

While the ongoing evolution and adoption of PEPs is worth monitoring, the trade-offs in flexibility, governance, and investment access may in some cases outweigh the benefits of a more tailored and flexible structure. Employers, for example, can also ease fiduciary burdens and lower costs through options like hiring a 3(38) investment manager, adding a 3(16) plan administrator, or incorporating Collective Investment Trust (CITs) into their lineup — without needing to join a PEP.

Source:

<https://www.dol.gov/newsroom/releases/ebsa/ebsa20250728>

<https://www.planadviser.com/aon-pep-tops-5b-in-assets-100k-participants/>

<https://401kspecialistmag.com/dol-requests-public-input-on-backing-peps-for-small-employers/>

<https://blog.dol.gov/2025/07/28/expanding-retirement-plan-options-for-small-employers>

<https://www.federalregister.gov/documents/2025/07/29/2025-14281/pooled-employer-plans-big-plans-for-small-businesses>

Other Benefits Developments



Prescription drug costs remain one of the biggest challenges for both employers and employees. The executive orders call for greater transparency and accountability in drug pricing. For plan sponsors, this is a reminder to regularly review plan design, negotiate with vendors, and explore tools that can help employees access medications at lower costs. A proactive approach here not only protects your budget but also shows employees you're invested in their well-being.

Pharmacy benefit managers (PBMs) are also under the microscope. Their practices often feel like a black box, and related executive orders highlight a push for clearer reporting and oversight. Plan sponsors may soon need to demonstrate they understand the cost structures behind their PBM contracts. Even before regulations arrive, it's smart to ask tough questions now: How are rebates handled? Where are savings going? Is the arrangement aligned with participants' best interests?

Wellness programs are another area where employers should be paying attention. While many organizations already offer these programs, the spotlight is shifting toward initiatives that address total well-being—physical, financial, and mental health. For sponsors, this could mean re-evaluating existing offerings, from gym reimbursements to financial education workshops. The key is ensuring programs provide meaningful support to employees.

Reproductive health is also expected to remain at the forefront of public policy discussions. This is a sensitive area, but one where sponsors may soon find themselves navigating new compliance expectations. Staying informed, keeping open communication with providers, and being ready to adapt benefits offerings will be essential as the legal landscape evolves.

The common thread across these developments is anticipation. By starting conversations now—with your advisors, providers, and internal teams—you'll be ready to pivot smoothly when changes arrive. Proactivity also builds trust. Employees notice when their employer takes steps to improve transparency, manage costs, and offer meaningful benefits. Staying ahead of the curve reinforces your role as a responsible sponsor and a supportive employer.

Sources:

Nixon Peabody LLP, "Executive orders: What employee benefit plan sponsors should know," July 18, 2025.

For more information regarding your company's retirement plan, please contact Advo(k)ate Advisors at 866-608-8650.

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