

Pooled Employer Plan (PEP) Audits Explained

The role of the Pooled Plan Provider is to manage most of the operational and fiduciary responsibilities of the PEP, relieving you from much of the administrative burden of running a traditional retirement plan. Newport Group, Inc. serves as the Pooled Plan Provider (PPP).

Large retirement plan requirements

The PEP is classified as a "large" retirement plan. According to the IRS, plans with 100 or more participants at the beginning of the plan year must file Form 5500, along with an independent auditor's report. As the PPP, we are legally required to hire an independent accountant to audit the plan's financial statements and records.

Why does a retirement plan require an audit?

An audit ensures that the plan's financial statements are accurate and comply with generally accepted accounting principles (GAAP). It also provides several benefits:



Regulatory compliance:

Helps identify and correct potential compliance issues.



Protection for employers and participants:

Provides assurance that plan assets are being properly managed.



Cost efficiency:

A single audit for the entire PEP is typically more cost-effective than if each employer were to conduct an individual plan audit.

Below is an illustration showing how the PEP audit cost is shared among adopting employers, based on a pro-rata (assets) method:

Audit base fee **\$12,000** Audit per adopter **\$6,750** Audit total cost **\$18,750**

The total audit cost is shared by adopters of the PEP and split pro-rata based on the assets.

Sample adopting employers*	Participant count	Employer assets	Estimated audit cost	Average cost by adopter
	1965	\$98,250,000	\$18,750	
Sample group of large plan fillers who have adopted the PEP	100	\$5,000,000	\$954	\$2,863
	200	\$10,000,000	\$1,908	
	300	\$15,000,000	\$2,863	
	400	\$20,000,000	\$3,817	
	500	\$25,000,000	\$4,771	
Sample group of small plan fillers who have adopted the PEP	10	\$500,000	\$95	\$444
	15	\$750,000	\$143	
	20	\$1,000,000	\$191	
	30	\$1,500,000	\$286	
	40	\$2,000,000	\$382	
	50	\$2,500,000	\$477	
	60	\$3,000,000	\$573	
	70	\$3,500,000	\$668	
	80	\$4,000,000	\$763	
	90	\$4,500,000	\$859	

*A large adopter as defined by the DOL is an employer with 100 or more participants.

Average participant account balance \$50,000.

When the number of adopters of the PEP exceeds 50, the per adopter rate is reduced from \$450 to \$300.

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