GREAT GRAY
TRUST COMPANY

PRIMER



Big-Plan Economics for Small Plans: PEPs, CITs, and the Road Ahead

DESIGNED FOR RETIREMENT PLAN ADVISOR AUDIENCE

THE PEP MOMENT

Congress created Pooled Employer Plans (PEPs) in the SECURE Act of 2019 to reduce burdens and costs for small employers. Pooling can give them access to lower-cost fee classes of CITs that normally are available for large investors. The structure reduces administrative costs in managing the retirement plan and simplifies compliance: one plan-level Form 5500 replaces individual employer filings, and adopting employers may carry less fiduciary oversight responsibility. This primer covers how PEPs work, their growth, and what clearer CIT access means for small employers considering a PEP.

1 Anatomy of a PEP

A PEP allows multiple, unrelated employers to band together to form a single retirement plan. PEPs are primarily administered by a DOL-registered **Pooled Plan Provider (PPP)**[1] who is the named fiduciary for the plan.

BENEFITS
PEP economies of scale can produce meaningful efficiencies and cost savings for participating employers and their employees and beneficiaries.

CONSIDERATIONS
Employers may have less plan design and investment lineup flexibility. Employers retain fiduciary responsibility to select and monitor the PPP.

2 The PEP Playbook

In general, the PPP hires the service providers that support the PEP, which can include a recordkeeper, trustee/custodian, third-party administrator, auditor and a PEP-level 3(38) investment manager. In such a structure, key obligations of the employer are to monitor the PPP and send payroll and contribution data on time.

BENEFITS
PEPs can be structured so that the PPP, and not individual employers, are responsible for most of the administrative and fiduciary responsibilities of maintaining a retirement plan.

CONSIDERATIONS
Structures of PEPs can vary; employers may wish to confirm their obligations within the specific PEPs they are considering.

3 Measurable Momentum

PEP assets doubled to $34 billion year over year, with participants up 56% and adopting employers up 45%.[2] Micro plans (under $5 million) are 88% of 401(k) plans[3].

BENEFITS
PEPs can give small employers access to investment options and pricing previously reserved for the largest plans; as they grow, additional economies of scale may result in additional cost savings.

CONSIDERATIONS
Similar benefits can be achieved in other plan structures (e.g., a single employer plan with a third party investment manager who has negotiated favorable fee classes based on its aggregate assets under management).

4 What Changed. Why It Matters.

On May 4, 2026, the SEC's Division of Investment Management issued a staff statement saying it would not object to CITs being offered within PEPs that cover self-employed individuals, removing uncertainty.[4] The average active mutual fund costs 3.1 times as much as the average active CIT.[5]

BENEFITS
Access to lower-cost, institutional-quality investment options. CITs are now a clearer option even for PEPs that cover self-employed individuals.

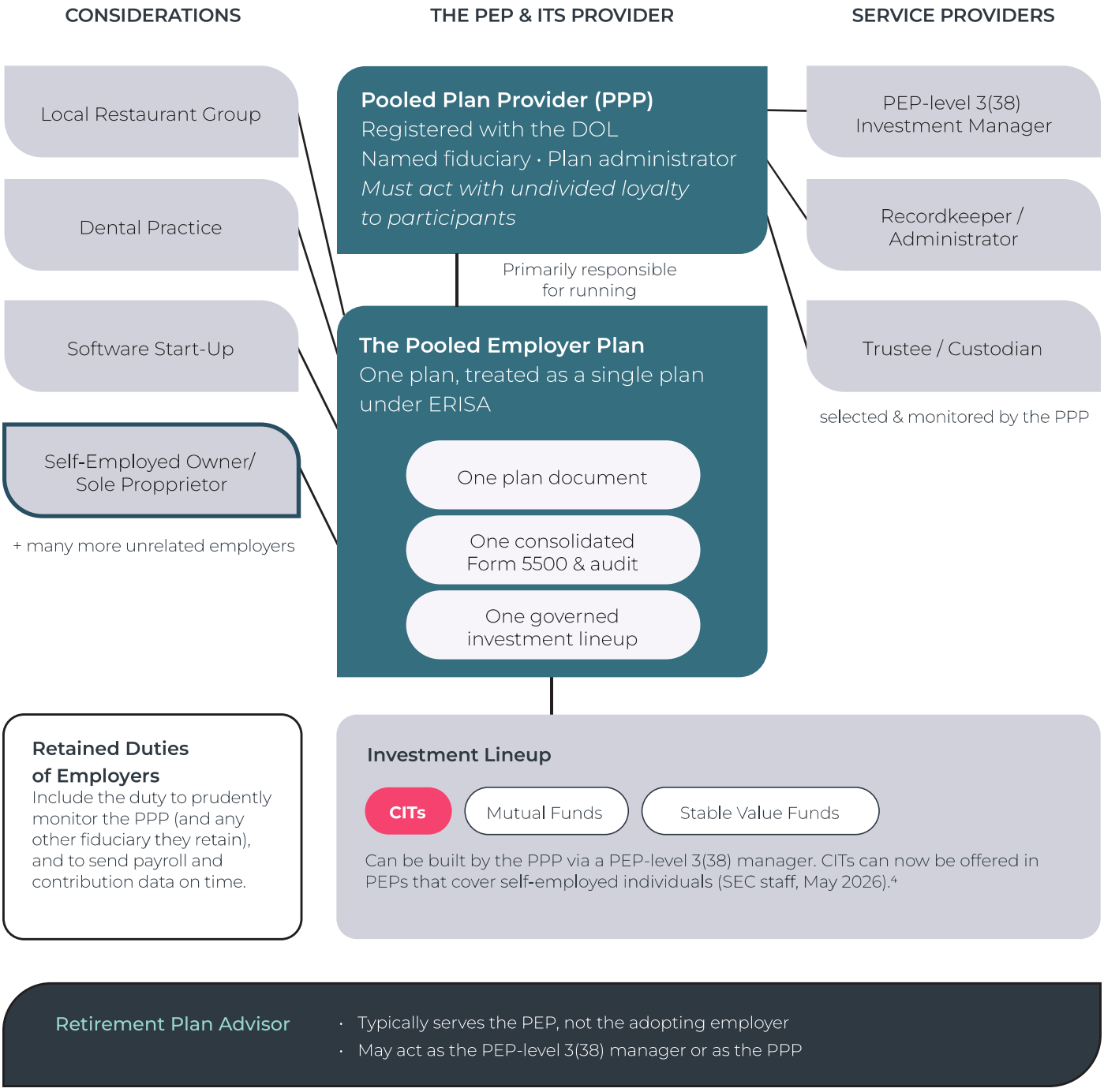
CONSIDERATIONS
Access does not equate to availability. Employers considering a PEP may want to review the PEP's investment lineup before joining.

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ANATOMY OF A PEP

Shared Plan Model

One plan, many employers. A registered PPP serves as named fiduciary and administrator and selects and monitors the service providers behind it.



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THE PEP PLAYBOOK

Dividing Fiduciary Duties

In a PEP, responsibility is shared, not handed off. The table illustrates, for PEPs that have a single PEP-level investment lineup selected by the PPP or a 3(38) manager it retains, who leads or supports, and who has a light touch at each stage, from selecting a PPP to ongoing oversight.

	Adopting employer	Pooled Plan Provider
1 **Selection**	● Monitors the PPP prudently	◐ Registers with the DOL; presents terms, services, fees
2 **Adoption**	◐ Signs participation agreement	● Onboards the employer and confirms eligibility
3 **Investments**	○ Monitors the PPP's oversight of the plan lineup	● Builds the lineup, often via PEP-level 3(38) investment manager
4 **Operations**	◐ Sends payroll and contribution data on time	● Coordinates providers, testing and participant disclosures
5 **Oversight**	● Monitors the PPP; can switch plans if needs change	● Monitors providers and investment fiduciary; files one Form 5500

● Leads ◐ Share or supports ○ Light touch

Takeaway: Fiduciary duties in a PEP are shared: the PPP leads most administrative and fiduciary tasks, the employer keeps the duty to monitor, and plan advisors may help guide the decision to join the PEP or serve as the 3(38) manager.[6]

[6]While not common, an adopting employer may also engage its own retirement plan advisor. Depending on the PEP's design, this may involve additional costs and reduce some of the efficiency of pooling

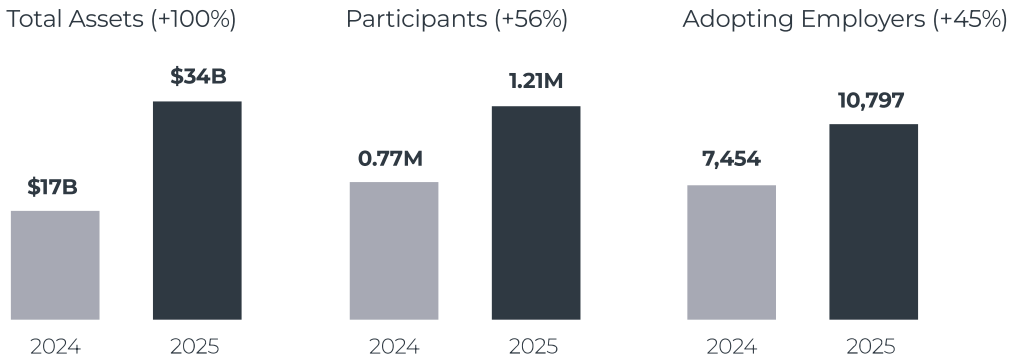
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MEASURABLE MOMENTUM

PEP Growth, By the Numbers

PEP assets, participants, and adopting employers all grew sharply year over year. The market they are reaching is small plans: micro plans make up most 401(k) plans but hold a small share of assets.

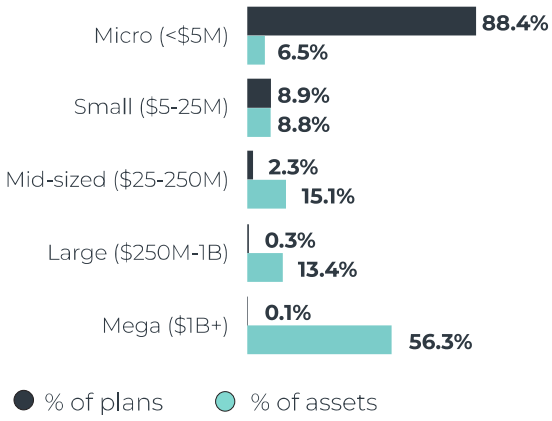
PEP INDUSTRY SNAPSHOT,
YE 2024 vs. YE 2025



54% of recordkeepers offer PEPs.[7]
Source: PLANSPONSOR, 2026 Recordkeeping Survey: Industry Snapshot, Pooled Employer Plans (July 9, 2026). Data as of YE 2024 and 2025. Combines 401(k) and 403(b) plans; percent changes calculated by Great Gray.[2]

Plans vs. Assets (%)

401(k) market by plan asset size, 2025



726,073 micro plans hold just 6.5% of 401(k)
Source: Cerulli Associates, U.S. DC Distribution 2026 (Exhibits 2.06-2.10).

Four Growth Forces

1. **White space in small plans**
   Micro plans are 88% of 401(k) plans, but hold 6.5% of assets.[3]
2. **Burden relief**
   The PPP takes on named-fiduciary and administrative duties; SPARK Institute credits PPPs with reducing burdens for adopting employers.[7]
3. **Broader appeal**
   Larger employers are joining too, an upside surprise for a model built for small plans.[7]
4. **Policy progress**
   SEC staff recently clarified CIT access for PEPs that cover self-employed individuals.[4]

Takeaway: PEP adoption is accelerating.
PEP adoption is growing. Employers weighing a PEP against their current plan will have questions about how it works and what it costs."

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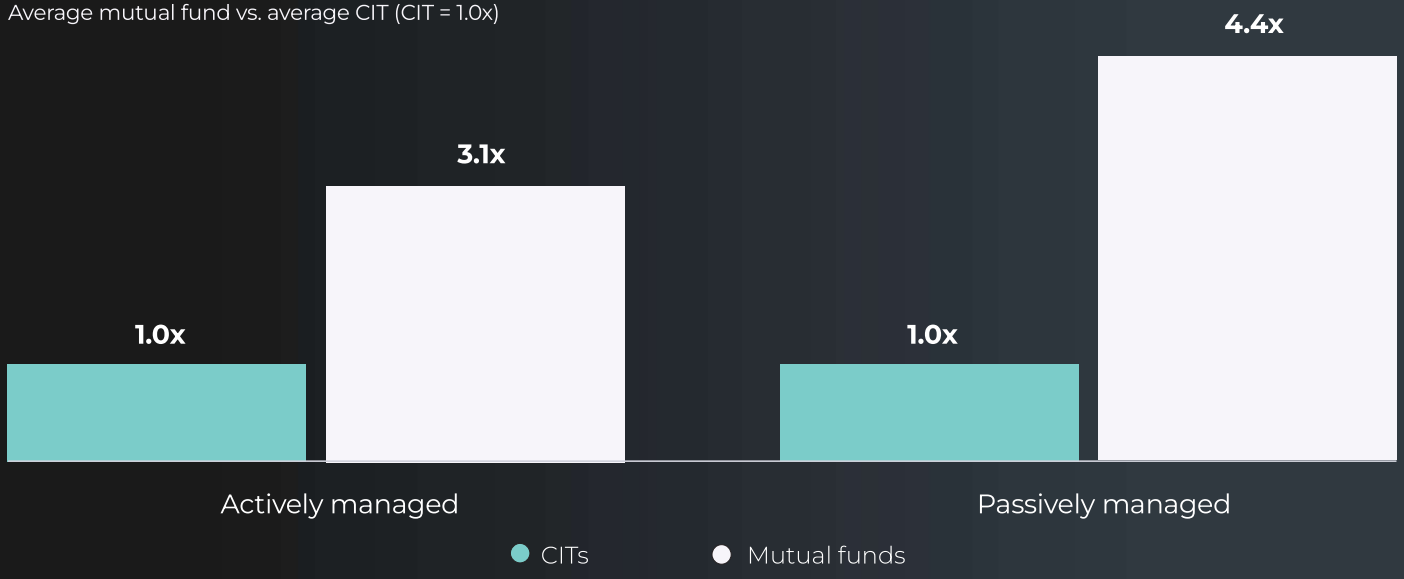
WHAT CHANGED. WHY IT MATTERS.

PEP Scale Meets CIT Pricing

CITs are widely used in DC plans. Until recently, there were barriers for PEPs to access them. In May 2026, SEC staff said it would not object to CITs being offered within PEPs that cover self-employed individuals, which removed these barriers.[4] That lets pooled scale and CIT pricing work together.

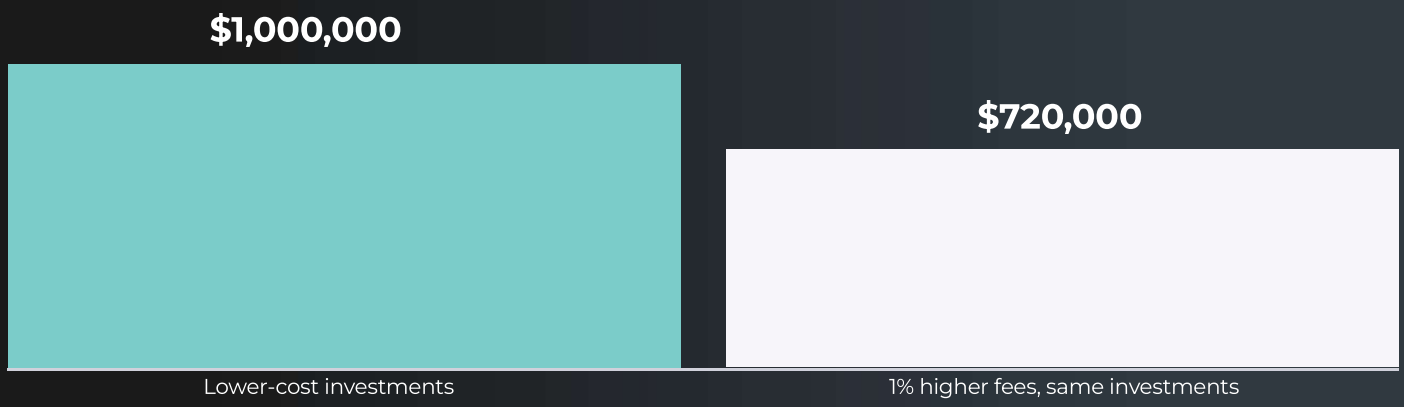
RELATIVE INVESTMENT COST

Average mutual fund vs. average CIT (CIT = 1.0x)



What 1% higher fees can cost

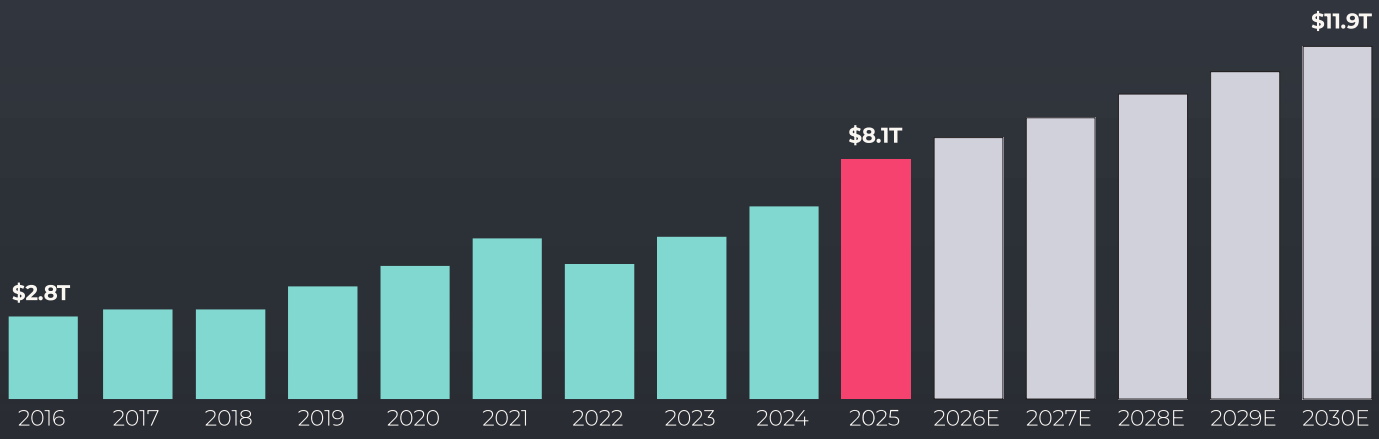
Ending savings after a 35-year career (DOL illustration): -28%



Sources: Morningstar, 2026 Retirement Plan Landscape Report (March 2026), Exhibit 13 (assets as of Dec. 31, 2024)[5]; DOL, A Look at 401(k) Plan Fees[8]. The $1M baseline illustrates the 28% figure.

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CIT ASSETS ARE SCALING
Total CIT assets, 2016-2030E ($ trillions). Up 25% in 2025; projected to approach $12T by 2030



Source: Cerulli Associates, in partnership with the Coalition of Collective Investment Trusts (Oct. 2026); ISS Market Intelligence Simfund.[9] 2026E-2030E are estimates (hatched).

77%

of plans in Callan's 2026 DC Trends Survey offer CITs. Note: 71% of respondents are $1B+ mega plans, the scale PEPs aim to pool.[10]

97%

of CIT providers say scale and relationship discounts will be a major or moderate driver of CIT adoption over the next three years.[11]

65%

of retirement plan specialist advisors expect plan sponsor CIT use to positively affect their practices.[12]

Source: Callan 2026 DC Trends Survey; Cerulli/CCIT CIT Provider Survey (Q2 2026); Cerulli DC Plan Advisor Survey (2Q–3Q 2026).

Takeaway: The PEP + CIT Opportunity
Clearer CIT access gives PEPs that cover self-employed individuals a new way to pair pooling with lower investment costs.

The Road Ahead

PEPs are growing, and recent SEC staff guidance has made CITs a clearer option for PEPs that cover self-employed individuals. Pooling can bring scale and lower-cost investments within reach of small employers. A PEP won't suit every employer, and the duty to monitor stays with the sponsor. For retirement plan advisors, understanding how PEPs work, and how CITs may fit within them, may be a useful place to start.

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Why Great Gray Trust Company?

At Great Gray, we believe in — and are driven by — growth. As trustee, Great Gray maintains ultimate fiduciary authority over the CIT funds it oversees, bringing the same discipline and transparency that 3(38) managers and 3(21) advisors alike rely on in fulfilling their fiduciary duty for their clients.

Always listening, learning, and innovating on top of a long-standing reputation for fiduciary strength and expertise. Creating what's next — for CITs and beyond — from a critical foundation of discipline and trust. Empowering our industry, clients, and ourselves to grow confidently.

DISCLOSURES

This material is for informational purposes only and does not constitute investment, legal, or ERISA advice, and does not make a recommendation as to any specific fiduciary structure, investment manager, or investment vehicle. Plan sponsors and advisors should consult their own legal counsel regarding the selection of a 3(21) or 3(38) arrangement and their respective obligations under ERISA.

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Sources: 1. U.S. Department of Labor, Employee Benefits Security Administration, 2025 Pooled Employer Plan Bulletin. 2. PLANSPONSOR, 2026 Recordkeeping Survey: Industry Snapshot, Pooled Employer Plans (July 9, 2026; combines 401(k) and 403(b) plans; percent changes calculated by Great Gray). 3. Cerulli Associates, The Cerulli Report: U.S. Defined Contribution Distribution 2026. 4. SEC Division of Investment Management, Staff Statement Regarding Pooled Employer Plans (May 4, 2026). 5. Morningstar, 2026 Retirement Plan Landscape Report (March 2026), Exhibit 13: average asset-weighted expense ratios by investment vehicle and management style, based on assets as of Dec. 31, 2023 (active: mutual funds 57.0 bps vs. CITs 18.5 bps; passive: mutual funds 6.6 bps vs. CITs 1.5 bps). 6. Note: While not common, an adopting employer may also engage its own retirement plan advisor; depending on the PEP's design, this may involve additional costs and reduce some of the efficiency of pooling. 7. SPARK Institute, Marketplace Update survey, as reported by PLANSPONSOR, 2026 Recordkeeping Survey: Industry Snapshot, Pooled Employer Plans (July 9, 2026). 8. U.S. Department of Labor, A Look at 401(k) Plan Fees; the $1M baseline illustrates the 28% figure. 9. Cerulli Associates, Factors Fueling the Growth of CITs, prepared for the Coalition of Collective Investment Trusts (Oct. 2026); ISS Market Intelligence Simfund. 10. Callan, 2026 Defined Contribution Trends Survey. 11. Cerulli Associates/Coalition of Collective Investment Trusts, 2026 CIT Provider Survey (Q2 2026). 12. Cerulli Associates, DC Plan Advisor Survey (2Q–3Q 2026), as reported in The Cerulli Report: U.S. Defined Contribution Distribution 2026, Exhibit 7.05.

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