

News

Kreps Examines Defined Benefit Plans with PLANSPONSOR

ATTORNEYS & PROFESSIONALS

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PUBLISHED

10/16/2023

SOURCE

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Groom principal [Michael Kreps](#), chair of the firm's [Retirement Services](#) group, was quoted in the *PLANSPONSOR* article, "Is It Time for an ERISA Reboot?," where he explored the difficulties plan sponsors find with the current status of defined benefit pension plans under ERISA and how they could be improved.

PLANSPONSOR reported that Kreps said that "the fundamental challenge regarding defined benefit pension plans is that there is a 'disconnect between the employers' interest and systemic interests.'"

According to the outlet, Kreps continued, saying, "Employers start plans for labor reasons, like attracting and retaining talent." *PLANSPONSOR* further reported that Kreps said that "some employers are more paternalistic than others, and some have incorporated lifetime income into their DC plans, but there remains a significant fear of litigation."

"The challenge in the defined contribution world is that it is [the employer's] responsibility to be prudent and to manage the plan in a way that doesn't subject [them] to unnecessary risk, which means given all the litigation exposure from DC plans, they're very gun shy," Kreps said. "While in some plans, it might be in the participants' best interest to have some sort of lifetime income option, employers shy away from it because they're worried about the cost and burden of litigation."

PLANSPONSOR continued, writing that Kreps said that he "thinks the industry can take steps toward reducing unequal outcomes by focusing on professionalizing and aggregating plan administration." The outlet included that Kreps "argued that pooled employer plans are worth exploring in more depth."

"Some people thought PEPs were going to expand coverage, but I think a more accurate, or honest, way to think about what PEPs were trying to do was to give small employers a way to participate in a plan that was professionally managed and then take the legal responsibility and put it on that professional, rather than trying to have a small employer be legally responsible," said Kreps. "There's probably more that can be done to improve that and make [PEPs] a more appealing structure."

To read the article, [click here](#).