

Greetings & a warm welcome to this week's edition of 401k Real Talk. This is Fred Barstein contributing editor at WealthManagement.com's RPA omnichannel and CEO at TRAU, TPSU & 401kTV - I review all of this week's stories and select the most important and interesting ones providing open honest and candid discussion you will not get anyway else. So let's get real!

The [147,000 June job growth](#) masks weaknesses in the private sector which, according to ADP, shed 33,000 jobs, the first decline since March 2023. [Half of the growth came from government workers](#) with healthcare accounting for 39,000 of the 74,000 new private sector jobs.

What experts are calling Trump's antigrowth measures including tariffs, deportations and cuts in federal spending and workers has caused many employers to halt hiring with the Fed unlikely to cut interest rates as a result.

130,000 people dropped out of the job market with participation rates falling.

Will employers deemphasize retirement benefits due to limited recruitment and few resignations? One thing for sure is that HR, benefits and finance staff will be asked to do more with less help which could lead to longer decision making on making changes to their retirement plan.

The hits keep on coming for [Pentegra which recently announced a \\$48.5 m settlement](#) after losing a \$39m jury trial. Allegations included excessive record keeping and administrative expenses and mismanagement of the investments along with numerous fiduciary breaches.

As part of the settlement, Pentegra will be required to conduct a record keeping and administration RFP. The case was brought by Schlichter Bogard and Pentegra was represented by the Groom Law Group.

Likely Pentegra wants to move on as it offers its 316 outsourced fiduciary services to other plans which may be difficult with a pending lawsuit.

Just as the DC world continues its exodus to low cost index funds, the industry is abuzz with the prospect of

including private equity touting better returns as DC plans try to mimic DB investments.

But PE is a different animal than mutual funds and professionally managed investments like TDFs and managed accounts and must therefore be evaluated differently.

Industry pundit Chris Carosa citing numerous experts lays out [a due diligence framework](#) which includes:

- Management expertise and track record across various market cycles
- Fund structure
- Fee transparency
- Participant and plan suitability and
- Red flags

PE is not likely to be offered as a standalone investment with a maximum of 15% allocation, something the SEC recommends for mutual funds and ETFs.

Just like TDFs, participant demographics and plan design should be considered while comparing how investments compare to similar funds without PE.

The buzz about PE and private markets is palpable with high profile firms like State Street Investment

Management and Apollo offering it in a target date fund with 10% allocation but the jury is still out on whether DC plan sponsors will embrace it.

As more and more firms are adopting Pontera's solution with assets growing, providers and regulators alike are taking notice. Perhaps in reaction, [the firm has hired Lisa Gomez](#), former EBSA director as a strategic consultant.

Pontera acts as a cyber shield allowing advisors to manage clients' DC accounts without access to their login information. While some providers are resistant, maybe because they want to manage that money themselves, there are legitimate concerns as well as real interest by advisory firms which may in turn lead to more assets retained in DC plans.

As new 401(k) and 403(b) plan formation explodes the natural question is "Who will serve this market?" Payrolls and fintechs have stepped up but service can be lacking while traditional providers and advisors struggle to make money in this market segment.

Banks, which seem to be a logical solution for smaller start up plans, have mostly retreated from defined contribution record keeping with the exception of JP Morgan/Chase. But as we often see, logic does not always turn into reality.

Read my recent [WealthManagement.com column](#) on whether banks will re-enter the DC market and how they could help.

So those were the most important stories from the past week. I listed a few others I thought were worth reading covering:

- [DOL asks OMB to review PEPs](#)
- [Comparing state plans vs. 401\(k\)s](#)
- [Broadridge launches new managed account evaluator](#)
- [Capital Group opens small market product to outside funds](#)

Please let me know if I missed anything or if you would like to comment. Otherwise I look forward to speaking to you in two weeks on 401k Real Talk as I take time to

participate in an 8 day silent meditations retreat hopefully
returning clearer, more insightful and even more real.