

## **Letter to DOL Secretary Alexis Herman from senior members of Congress expressing concern about potential DOL Small Plan reporting regulations**

December 8, 1998

The Honorable Alexis Herman  
Secretary  
U.S. Department of Labor  
200 Constitution Avenue, N.W.  
Washington, D.C. 20210

Dear Madam Secretary:

We in Congress share the Department's goal of ensuring that plan participants' assets are managed in a prudent manner and protected for the participant's benefit at retirement. However, we wish to express our concerns over proposed regulations being developed by the Department of Labor which could significantly increase the administrative costs of small business retirement plans. Our concerns are that the likely increased administrative costs that could result from the proposed regulations would cause many small businesses to discontinue offering their employees a retirement plan or to decline to begin offering one. Driving more small businesses out of the retirement plan market only hurts workers, at a time when the need to save for retirement has never been greater.

As you may recall from this year's National Summit on Retirement Savings, a survey of small businesses indicated that high administrative costs was one of the chief reasons that small businesses did not adopt a retirement plan for their employees. In fact, just 20 percent of workers in small businesses have any type of retirement plan through their work. This statistic takes on greater significance when considering the fact that most of our nation's job growth in the 1990's has been in the small business sector.

Initial indications are that the proposed regulations could require small business retirement plans to be maintained in a trustee or custodial relationship. In the current market, the majority of small business plans self-trustee their own plans, and invest in regulated financial products. Requiring an outside financial institution as a trustee or custodian could add as much as thousands of dollars in administrative costs to the typical small business pension plan.

We applaud your efforts to educate small businesses and workers on the importance of saving for retirement. As you continue working on possible new regulations to protect plan participants, we would like to be involved in this effort while minimizing additional administrative costs to small businesses.

Sincerely,

Senator James M. Jeffords  
Senator Bob Graham  
Senator Charles E. Grassley  
Senator Tim Hutchinson

Senator Max Baucus  
Senator William V. Roth, Jr.  
Senator John Breaux  
Congressman Bill Goodling  
Congressman Jim Ramstad

Senator Christopher S. Bond  
Senator John Kerry  
Senator Mike Enzi  
Congressman Earl Pomeroy