

From: Susan Harrelson [sharrelson@earthlink.net]
Sent: Friday, March 12, 2004 12:39 AM
To: efast2@dol.gov
Subject: E-Fast System -- Where Are the Vendors?

In the five years that I served as Trustee for a defined contribution plan, I was never able to obtain the software necessary to use the E-Fast system, even though I signed the Plan up for the system as soon as it came out. I recall seeing specifications for potential vendors, but never any vendors.

Any system that depends on the Plan Sponsors' purchasing specialized software from a short list of approved vendors is never going to work. (When the list is empty, it isn't even possible.) The means to file electronically must be widely available at low cost. Electronic filing of income tax returns can be accomplished using software that is available in retail stores. E-Fast needs to be at least that easy.

In addition, many "large plan" filers are small businesses with fewer than 200 employees. These companies barely have the sophistication necessary to file a 5500 in any format. The entire audit requirement is ridiculous when applied to a company that uses a full-service recordkeeping provider, has 200 employees, 150 eligible employees, and 75 active participants. These people cannot afford the \$10,000 it costs to perform a Plan Audit, & do not have anything to do with the transactions of the Plan. Their payroll service withholds the deferrals, their bank transmits the funds, & the service provider invests them according to the participants' instructions. The Plan Sponsor's employees never control the money at any point in the process. They don't even understand the questions the auditors ask. The issues are similar for employers that provide health insurance.

The 5500 filing requirements need to be seriously reconsidered in all respects, not just filing formats. However, the problems with E-Fast are indicative of a severe disconnect between the regulators and the regulated community. In the real world, there is no discernible difference between a very small business of fewer than 100 employees and a small business of fewer than 500. The dividing line is somewhere between 1000 employees and Enron, and is probably much closer to the latter. It is obvious that few people in government understand this point.

The extreme complexity and lack of practical application of the entire regulatory system for employee benefits discourages employers from providing benefits at all, and should be revisited, with input from the people required to comply with it.

Susan M. Harrelson, Esq.
The Law Office of J. Michael McGroarty, Chtd.