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Office of Regulation and Interpretations Employee Benefits Security Administration Room N-5669 U.S. Department of Labor 200 Constitution Avenue NW Washington, DC 20210

RE: Automatic Rollover Regulation

Dear Sir/Madam:

Pentec, Inc. is a pension consulting and actuarial firm located in Southington, Connecticut. We service over 800 small to mid-size retirement plans. We have a sister organization, Pentec Capital Management, Inc. which provides plan level and individual participant level investment services. The demographics for our clients are not dissimilar to those of most of the small to mid-size retirement plans. We appreciate the Department of Labor's efforts in attempting to provide guidance to plan sponsors to facilitate the automatic rollovers of the diminimus account balances. We are commenting because we would experience significant difficulties and undo hardship if the proposed regulations are adopted as issued.

The plan sponsors rely heavily on the service providers and investment professionals that administer their retirement plans. Unfortunately, the investment professionals may be prohibited from assisting.

Our broker/dealer requires that each broker have a signed application from the client for any registered investment and that the recommended investments be suitable for the clients risk tolerance and individual circumstances.

In the automatic rollover process, the fundamental reason for the automatic rollover is that the participant fails to acknowledge any of the distribution forms previously sent. It is highly unlikely that they will be willing to sign a comprehensive application.

We will not be able to obtain beneficiary designation for the account in case of the account holders death prior to the liquidation of their account. Our broker/dealer requires this information.

Though the DOL relaxes the Patriot Act requirements, out broker/dealer will not. As brokers and advisors, we are handcuffed by the process from the NASD and SEC. From our compliance business, the automatic rollover would be an additional service that we would like to provide our clients, but the limitation and apparent refund of fees put an undo hardship on our firm.

We believe we must still provide the participant's with their options and if they elect nothing, we must then provide for the "automatic rollover". Unfortunately we can not facilitate due to the limitations above. Most banks will not receive money without the proper forms completed so even bank options are not available. We have worked with many banks over the years, and, do to the high risk, and low asset size, they have little desire to be in this market.

We must, therefore, hold the money in the plan. Accounts must be maintained and fees related to those accounts assessed. Our fee schedule, which I believe is similar to others, includes a fee for active, terminated and retired participants. Forfeitures can not be used to reduce employer costs for at least five years if the participants' account is not liquidated, thereby increasing plan costs.

Outstanding loans are an issue, but we can work through the deemed distribution and taxation issues.

We need to have some relief under the NASD and SEC requirements. Perhaps large mutual fund companies can waive the requirements of the clients that deal directly with them, but, in many instances, fiduciaries do not feel that it is prudent to have all money in one mutual fund family since only some of the funds may meet the criteria of the Investment Policy Statement. Any pension program that has a trading platform between families may not have the ability to facilitate these automatic rollovers unless it is a turnkey, all-in-one program. Many of these programs do not meet the needs of the plan sponsors.

The fee limitations appear to be too restrictive. We are considering using our recordkeeping system with an insurance provider to allocate and track the participant accounts and provide periodic statements. Our account maintenance cost would run \$75 to \$125 per year at a minimum. We have elected not to pursue this opportunity until the fee issue is finalized.

We are also concerned about changes to the summary plan description and plan documents. Safe harbor language, coordinated with the IRS, would be appreciated. We will need additional time to distribute this disclosure information.

Our estimate would be an average of approximately \$350 per plan to explain, produce and distribute the notices (assuming an average plan size of 60 participants. In our firm, the cost would be approximately \$250,000 to \$300,000. This is assuming less than 50,000 employees. We believe the estimate of \$13,000,000 for all affected plans is substantially understated.

Lastly, our understanding is that plan sponsors are prohibited from escheating abandoned accounts. This new method as proposed, allows the assets to leave and to be escheated under state law for IRA's. We are certain that this is an unintended result.

We appreciate the opportunity to comment on there proposed regulations. We hope our practical perspective is of value to the Department of Labor.

Should you have any questions, please feel free to contact me.

Sincerely,

Michael E. Callahan

Michael E. Callahan, FSPA, EA, CPC, MAAA President

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