



## National Association of Insurance and Financial Advisors Connecticut

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My name is Gerald Flowers from Norwalk and I'm writing today for the National Association of Insurance and Financial Advisors (NAIFA) Connecticut.

Encouraging small employers to develop retirement programs is important, however our members oppose the approach proposed in Raised Bill 652, An Act Concerning Small Business Retirement Plans.

The marketplace currently offers retirement plans with economical administration. For example, \$10 to \$15 a year per employee for a SEP. A solo 401(k) might be around \$50 a year. On the other hand small business owners report the primary reason they have not established a retirement program for their employees is not the cost of administration but the cost of making contributions to the plan for each employee.

In reviewing Raised Bill 652 there are some implications of this proposal, which are important to consider:

- What is the cost to hire the good quality pension professionals required to advise and work with small businesses?
- What is the cost to comply with ERISA requirements e.g. each small business must be treated separately to maintain the plan's qualified status? A part of this is the issue, just as a private employer cannot offer 403-b and 457 plans government organizations can't sponsor 401-k plans.
- Small business 401(k) plans have a significant amount of special reporting requirements, which add significant expense. For example, checking for highly compensated employees; testing to determine if the plan is "top heavy"; does the plan meet all the discrimination tests; have all required employee notices been mailed; and have all the 5500s been filed? There are substantial penalties for not complying. Who will gather all the required data from a myriad of payroll systems efficiently and pay for these requirements?
- New federal requirements allow employers to get involved in employee education. Who will do this and what is the cost?

A much more effective and economical way to encourage small businesses to implement retirement plans, whether it's a 401(k), a SEP, a SIMPLE, or a Employer Sponsored IRA, would be to offer small employers a tax credit.

Gerald S. Flowers