

**Testimony of Ray Rucksdashel, Chief Financial Officer, Quest-Tec Solutions**  
***The Challenge of Retirement Savings for Small Business***  
**Before the House Small Business Committee**  
**October 2, 2013**

I would like to thank Chairman Graves, Representative Velazquez, and the House Small Business Committee for inviting me to testify today.

My name is Ray Rucksdashel, and I have 40 years of wide-ranging financial, operational and general management experience as a partner in charge of consulting, Chief Financial Officer and Chief Operating Officer for businesses from closely held companies to publicly held companies at the senior executive level. I have worked and consulted in a variety of industries including manufacturing, sales and distribution, mortgage banking, and financial institutions. My consulting experience encompasses clients across the country and Canada, and includes working in and consulting with virtually all operational areas including sales, operations, human resources, information technology, treasury, accounting, and finance.

Currently, I am the Chief Financial Officer for Quest-Tec Solutions (“QTS”), located in Houston, Texas. QTS specializes in the development, engineering and manufacturing of products used primarily in the oil and gas industry, such as magnetic level indicators, liquid level gages and valve product lines. We also manufacture, steam level indicators, and liquid level gage accessories. QTS is a privately owned business that employs 38 people, primarily skilled employees in trades such as welders, CNC machinists, engineers, draftsmen, instrumentation specialists, and shop foremen. QTS is on track to do about \$12 million in sales this year.

I believe that the subject of today’s hearing is very important and I am pleased and honored to testify on this matter on behalf of small businesses. I am here to tell the committee that retirement savings are not just a necessity – they are a critical component of my company’s ability to attract and retain skilled employees. QTS has offered a 401(k) from the very beginning. In fact, there was a 401(k) in place with the predecessor company to QTS when I joined that company in 1996. It has long been part of our strategy to attract and retain skilled employees. QTS is not alone in using this strategy. According to a survey conducted by Sharebuilder 401(k), 89 percent of small business owners that offer a 401(k) plan state that this benefit is an important factor for attracting and retaining the best talent.

So why is this benefit so critical for QTS? QTS is competing for employees in a marketplace where the skilled workers the company needs are in high demand, not only in the Houston area, but in other parts of the country where the oil and gas industry is growing, such as North Dakota and West Texas. Individuals with these skills will move for higher salaries and better employee benefits. QTS needs attraction and retention tools such as a 401(k) in order to compete for these highly skilled employees. The 401(k) plan that QTS offers is something we use to distinguish our company from others.

QTS learned early on that our 401(k) benefit was easy to sell to prospective employees since we were matching part of their contributions. It not only encourages our employees to save for their own retirement, it gave us another benefit to help us edge out our competition in hiring the best prospects. QTS matches 50 percent of an employee's contribution, up to a company maximum contribution of three percent. So, if an employee contributes six percent, it's the same as giving him tax-deferred income of 3 percent of his salary.

So why is QTS so generous with its 401(k) plan? It's simple. It costs the company far less to offer generous 401(k) benefits than it does to hire and train a new skilled employee. Turnover is a significant yet hidden expense that can be overlooked by managers. In addition, long-term employees are more loyal and enjoy greater satisfaction in their jobs with these benefits. That, in turn, leads to more productive and engaged employees. Moreover, offering retirement benefits to our employees is the right thing to do, as it allows them to secure their futures. We show our employees that when an average 45 year old contributes to their retirement plan along with our contribution on his behalf, by the time they reach retirement age, they would have saved \$150,000.

All QTS employees are eligible to participate in our company's 401(k) plan. I would classify 23 of QTS' employees as "skilled" – people who are welders, CNC machinists, engineers, draftsmen, instrumentation specialists, shop foremen, sales personnel and management. These are the employees QTS has a hard time finding and the company does whatever it takes to keep them. Of these employees, more than 60 percent (14) participate in our 401(k) plan.

While our 401(k) plan is important to QTS, there are drawbacks for a small company like mine that wants to offer retirement plans to their employees. Administering these plans is extremely complicated. As I mentioned earlier in my testimony, even though I have 40 years' experience in financial operations in small companies, there is no way I have the time or expertise to understand all of the rules governing the operation of a 401(k). In addition, there is significant risk in managing a 401(k) plan, and that risk and exposure can serve as a deterrent for a small business to offer a 401(k) program.

To avoid this risk and complexity, I have contracted with a professional employer organization (PEO) to administer my 401(k) plan. A PEO is a company that provides payroll, human resource, and employee benefits solutions to small and mid-sized companies. One of the services a PEO can provide to its small business clients is access to 401(k) benefits. By using a PEO to access 401(k) benefits, QTS no longer has the administrative burden associated with a 401(k), my personal risk associated with being a plan administrator is minimized, and QTS is able to offer employee benefits that are competitive with larger companies. And we are not the only ones: According to a new study by McBassi and Company, PEOs offer retirement plans to small businesses that would be unlikely to sponsor them otherwise, and their employees participate at much higher rates than small businesses that do not use a PEO.

I think it is important for the committee to understand that, in my view, the administrative complexities of 401(k) plan administration are the biggest obstacles to small businesses offering employee retirement benefits. As a CFO, I understand that the deferral of income for tax purposes is the primary reason that 401(k) plans are complex. I understand the need for strong fiduciary standards to protect those who invest their earnings into these plans. And I understand the need for oversight and rules ensuring that participants understand their rights and are fully informed of the risk associated with investing their money in these plans. But these protections and disclosures come at a price, and that price is complexity and a significant administrative burden on plan administrators.

The Government Accountability Office (GAO) found that there are 43 million people who work for businesses that employ 100 or fewer people, and only 14 percent of those companies offer retirement benefits to their employees. This data is clear evidence that there are obstacles preventing small companies from offering retirement plans. The GAO and private surveys have found reasons such as complexity, legal liability, and cost as the obstacles to small companies offering retirement benefits. Because of these obstacles, many working Americans do not have access to retirement savings programs. The fact that I have to use an outside administrator speaks to the complexity and administrative burden of retirement plans.

Congress should look at ways to both encourage smaller companies to offer retirement benefits to their employees and at the same time look to simplify and streamline the administration of such benefits. Education, outreach, and streamlining regulations are just a few steps that have been suggested to improve access to retirement programs like 401(k)'s. I also hope that this forum helps bring to the attention of policymakers the challenges facing small businesses who want to provide these benefits to their employees, and begins discussions on how to make such plans easier for small businesses to offer to their employees.

I would be happy to answer any questions you have.