

MAJORITY MEMBERS:

JOHN KLINE, MINNESOTA, *Chairman*

THOMAS E. PETRI, WISCONSIN
HOWARD P. "BUCK" McKEON, CALIFORNIA
JOE WILSON, SOUTH CAROLINA
VIRGINIA FOXX, NORTH CAROLINA
TOM PRICE, GEORGIA
KENNY MARCHANT, TEXAS
DUNCAN HUNTER, CALIFORNIA
DAVID P. ROE, TENNESSEE
GLENN THOMPSON, PENNSYLVANIA
TIM WALBERG, MICHIGAN
MATT SALMON, ARIZONA
BRETT GUTHRIE, KENTUCKY
SCOTT DesJARLAIS, TENNESSEE
TODD ROKITA, INDIANA
LARRY BUCSHON, INDIANA
TREY GOWDY, SOUTH CAROLINA
LOU BARLETTA, PENNSYLVANIA
JOSEPH J. HECK, NEVADA
SUSAN W. BROOKS, INDIANA
RICHARD HUDSON, NORTH CAROLINA
LUKE MESSER, INDIANA
BRADLEY BYRNE, ALABAMA



COMMITTEE ON EDUCATION
AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

MINORITY MEMBERS:

GEORGE MILLER, CALIFORNIA
Senior Democratic Member

ROBERT C. "BOBBY" SCOTT, VIRGINIA
RUBEN HINOJOSA, TEXAS
CAROLYN McCARTHY, NEW YORK
JOHN F. TIERNEY, MASSACHUSETTS
RUSH HOLT, NEW JERSEY
SUSAN A. DAVIS, CALIFORNIA
RAUL M. GRIJALVA, ARIZONA
TIMOTHY H. BISHOP, NEW YORK
DAVID LOEBSACK, IOWA
JOE COURTNEY, CONNECTICUT
MARCIA L. FUDGE, OHIO
JARED POLIS, COLORADO
GREGORIO KILLI CAMACHO SABLAN,
NORTHERN MARIANA ISLANDS
FREDERICA S. WILSON, FLORIDA
SUZANNE BONAMICI, OREGON
MARK POCAN, WISCONSIN
MARK TAKANO, CALIFORNIA

May 21, 2014

The Honorable Thomas E. Perez
Secretary
U.S. Department of Labor
200 Constitution Ave., NW
Washington, DC 20210

Dear Secretary Perez:

My office has recently become aware of a growing trend in the asset management industry which appears to create significant and inappropriate conflicts for pension consultants in their dealings with their employee benefit plan clients. We are concerned about the risks that these practices may pose for employee benefit plans and their participants.

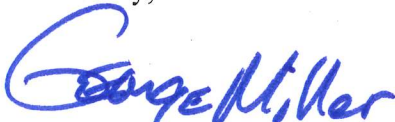
Many employee benefit plans have come to rely heavily upon pension fund consulting firms. These consultants are advisers to the plans and perform a "gatekeeper" role in the investment of the plans' assets. They advise on asset allocation decisions and assist in recommending and selecting investment managers and conducting due diligence.

In acting in this capacity, they are fiduciaries to their clients. They must act at all times in the best interests of the plans that they advise and must avoid conflicts which would compromise their ability to do so. As revenues and margins in the pension consulting business have come under pressure, it appears that more and more firms have sought to transition these relationships from a pure consulting model to one where the consultants step into the role of becoming a manager of the plans assets. In effect, the consultant firm may recommend itself as a manager and thereby receive additional (or higher) fees, a classic conflict of interest. In addition, even small increases in fees can, over time, have a significant effect on plan assets.

Subjecting plans to these conflicts may well be a breach of fiduciary duty and a prohibited transaction under ERISA.

We ask the Department of Labor to take a careful look at these practices and take appropriate action to prevent harm to participants.

Sincerely,


GEORGE MILLER
Senior Democratic Member