DOL issues final rule on safe harbor period

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The Department of Labor released today **a final rule** that requires employers with pension and welfare plans with fewer than 100 participants to deposit employee contributions to the plans within 7 business days upon receiving or withholding the funds.

“This rule will give employers greater clarity in remitting participant contributions to small pension and welfare plans in a timely manner,” says Phyllis C. Borzi, assistant secretary of labor for the department’s Employee Benefits Security Administration. “We estimate participant accounts could grow by $19 to $44 million as a result of these rules,” she adds.

Previously, sponsors and fiduciaries of small pension and welfare benefit plans were required to transmit participants’ contributions to such plans as soon as the funds were segregated from the employer’s other assets. They, however, had to deposit the funds no later than the 15th business day of the month following the month in which contributions are received or withheld by the employer.

According to the DOL, nearly 90% of applications submitted to its Voluntary Fiduciary Correction Program involve delinquent **employee contribution violations**. Labor regulators, however, did not expand the 7-day safe harbor rule to plans with 100 or more participants, citing the lack of information and data to evaluate the consequences of the rule to participants in large plans.