

Understanding House Bill 7161 and its impact on your 403(b) plans

On June 27, 2017 Connecticut Governor Dannel P. Malloy passed an act that will bring non-ERISA 403(b) plans closer to ERISA 403(b) plans. The new law, which covers plans in Connecticut K-12 school districts, is the first in the country to require a much higher level of fiduciary standards for these types of plans.

The law was prompted when concerns were raised from teachers in Connecticut who invested in products that they regretted because they weren't advised of fees and other charges. House Bill 7161 (HB 7161) requires that a "political subdivision" such as a school district in a town or city that offers a 403(b) plan must disclose the fee ratio and returns, net of fees, for each investment offered to participants.

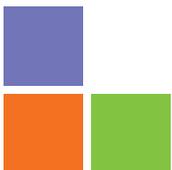
New conflict of interest act for non-ERISA 403(b) plans is effective October 1, 2017, but plan sponsors have until January 1, 2019 to comply

Historically, non-ERISA plans were:

- exempt from filing a Form 5500 with the Department of Labor
- are not subject to the DOL's fiduciary rule
- are not subject to the DOL's fee transparency regulations

The new law, which goes into effect on October 1, 2017, gives plan sponsors until January 1, 2019 to comply. To be within compliance with HB 7161, plan sponsors must:

- Disclose fees paid to any person who, for compensation, engages in the business of providing investment advice to participants in the retirement plan either directly or indirectly through publications or writings
- Provide applicable disclosures to participants when enrolling
- Provide applicable disclosures to participants at least annually after enrollment



The following checklist can help you ensure that your plan follows ERISA best practices as a fiduciary:

- Determine if the school's administration or an independent advisor will manage the responsibility of ensuring each vendor takes appropriate action to comply with the new law
- Request that each of your vendors provide a documented timeline that outlines how they will meet the requirements of the new Connecticut law
- Request each of your vendors submit a draft copy of the disclosures they will provide to your employees upon enrollment and annually thereafter
- Review and compare each document provided by your vendors to ensure that they adequately disclose the required information in an easy-to-understand format
- If a vendor cannot meet the required Connecticut deadline, determine what options exist and how they plan to handle the communication to your employees

H&H is a fiduciary of our clients' 403(b) plans and remains committed to keeping our CASBO clients and their participants up-to-date on how these changes will impact them.

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