

## Employee Benefits and Compensation

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### Connecticut Focuses on Fiduciary Standards for Municipal Plans

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Connecticut has been focused on the fiduciary standards of financial planners and retirement plan administrators in the wake of the now-defunct Department of Labor "fiduciary rule." With the goals of creating both transparency and a more informed consumer, Connecticut has enacted two laws that have placed additional requirements on certain financial planners and retirement plan administrators.

#### **403(b) REPORTING REQUIREMENTS FOR MUNICIPALITIES**

Political subdivisions in Connecticut administering Internal Revenue Code ("Code") Section 403(b) retirement plans are required to provide certain disclosures to participants by **January 1, 2019**, and annually thereafter, pursuant to a law enacted on June 27, 2017.

Connecticut Public Act 17-142, titled "An Act Requiring Administrators of Certain Retirement Plans to Disclose Conflicts of Interest," provides that political subdivisions, such as municipal school districts, that administer a Code Section 403(b) retirement plan are to provide employees with a disclosure that sets forth certain information regarding fees. The disclosure is to be provided by **January 1, 2019**, upon a participant's initial enrollment, and at least annually thereafter. Although the State has not provided any guidance on the information that must be disclosed, disclosures similar to those currently provided to participants under ERISA Section 404(a) may be sufficient. 403(b) vendors likely are familiar with such disclosures, as they have had to provide the disclosure to their ERISA-covered clients for a number of years.

This law came on the heels of several issues raised by Connecticut teachers who claimed they were not properly advised of plan fees and therefore regretted their investment selections. The law places additional responsibilities on the plan administrators of these ERISA-exempt, Code Section 403(b) plans, more closely aligning their fiduciary responsibilities with the reporting responsibilities of their ERISA-covered counterparts. Accordingly, the new law makes it the responsibility of the municipality to provide this disclosure.

#### **FIDUCIARY DUTIES APPLICABLE TO CERTAIN FINANCIAL PLANNERS**

On July 5, 2017, "An Act Protecting the Interests of Consumers Doing Business with Financial Planners" was signed into law. The law generally applies to financial planners that are not regulated by some other state or federal law, and requires such financial planners to disclose to consumers, upon request, each time they make a recommendation to the consumer, whether the financial planner has a fiduciary duty to the consumer.

While this law took effect immediately and has been in place for more than one year, a municipal plan

administrator may wish to consider whether any third party administrator or record keeper involved with the plan is subject to additional disclosure requirements under this recent law.

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If you would like to discuss the impact of these new laws, please contact any member of the firm's [Employee Benefits and Compensation Group](#) listed below:

[Bruce B. Barth](#) | [Virginia E. McGarrity](#) | [Alisha N. Sullivan](#) | [Jean E. Tomasco](#)

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