OLR Bill Analysis
sSB 901

AN ACT CONCERNING RETIREMENT PLANS OFFERED BY POLITICAL SUBDIVISIONS OF THIS STATE.

SUMMARY

Beginning January 1, 2021, this bill (1) alters the information that companies administering certain 403(b) retirement plans for political subdivisions of the state must disclose to retirement plan participants and (2) requires the companies to provide the same information to the insurance commissioner and the secretary of the state. The disclosure requirements apply to retirement plans created under section 403(b) of the Internal Revenue Code that are not made available through the state comptroller under state law (see BACKGROUND).

The bill also requires, beginning by March 1, 2022, and then annually, the:

1. secretary of the state to post online each disclosure she received by the previous January 1 for the prior calendar year and

2. insurance commissioner to certify to the state comptroller whether each company subject to the disclosure requirements complied with them during the prior calendar year.

Lastly, the bill makes technical changes.

EFFECTIVE DATE: January 1, 2021

RETIREMENT PLAN DISCLOSURES

By law, companies administering these retirement plans must provide to each plan participant the (1) fee ratio and return, after subtracting fees, for each plan investment and (2) fees paid to anyone who, for compensation, provides investment advice to participants. Current law deems a company compliant with the disclosure
requirements if the company adheres to the Employee Retirement Income Security Act’s (ERISA) retirement plan disclosure requirements for participant-directed individual account plans, which include, among other things, information about participant rights and responsibilities, fees and expenses, and designated investment alternatives (29 C.F.R. § 2550.404a-5).

The bill (1) eliminates the general exception for companies that provide ERISA’s required disclosures, thus requiring all of the administering companies to provide the specific fee ratio and return and paid fees information and (2) requires plans subject to the ERISA requirements to provide any additional information to plan participants that is mandated under the associated ERISA regulations.

Under the bill, the required disclosures must also be electronically provided to the insurance commissioner and the secretary of the state in a manner they each prescribe. These disclosures, as under existing law for plan participants, must be made upon the initial enrollment in the retirement plan and then at least annually.

BACKGROUND

403(b) Deferred Compensation Plans

Section 403(b) of the Internal Revenue Code allows certain public school employees and employees of certain other tax-exempt organizations to elect to defer a portion of their current earnings and invest those earnings, tax-free, until withdrawn, usually at retirement. The 403(b) plans are similar to plans the code authorizes for private-sector employees (401(k) plans) and noneducational public employees (457 plans).

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable
Yea  16    Nay  4    (03/14/2019)