
Connecticut Bill Would Force Fee Disclosures for Teacher Retirement Plans.

Public schoolteachers and other education workers in Connecticut should soon have an easier time figuring out how much they are paying for their retirement investments.

These costs should not be a mystery, yet they are often difficult to find and even more challenging to understand, particularly for employees in public schools. These workers are commonly sold expensive and complex investments inside their 403(b) plans, which are retirement accounts offered to educators, nonprofit employees and many hospital workers. Most of these plans leave employees more vulnerable because they are more lightly regulated than their better-known counterparts, 401(k) accounts.

A bill passed by the Connecticut Legislature tries to improve this situation by requiring all 403(b) retirement plan providers to disclose fees and compensation to state and municipal workers. The legislation, which unanimously passed in the state Senate last week, is headed to Gov. Dannel P. Malloy for his signature.

The bill was written by Matthew Lesser — a Connecticut state representative who leads the House banking committee — after he read a series of articles published in The New York Times that documented the problems in 403(b) plans.

The legislation — which will take effect in 2019, but could be changed to 2018 as language in the bill is completed — would require companies that operate 403(b) plans to disclose the charges and returns (after subtracting fees) for each investment offered. It would also require plan administrators to disclose fees paid to any person "who for compensation provides investment advice."

The disclosures must be made to all plan participants when they enroll, and every year after that. Alternatively, a provider can follow federal disclosure rules — as part of the Employee Retirement Income Security Act of 1974 — that govern 401(k)'s and other retirement plans.

"This bill grants teachers the same fee and conflict-of-interest disclosures available to private sector workers having a 401(k) and allows the comptroller to make lower-cost plans available directly to local boards of education," said Mr. Lesser, a Democrat.

Mr. Lesser was referring to a state-run 403(b) plan, overseen by the state comptroller, which includes several low-cost funds and a low administrative fee. He said the process of crafting the legislation brought a renewed focus on other ways to help school employees, which includes giving them access to low-cost retirement plans already in place and offered through the comptroller's office. The comptroller already has the authority to market the state's 403(b) and 457 plans — another type of retirement plan offered to state and local government workers — to school districts and other municipal employees.

A spokeswoman for Kevin Lembo, the Connecticut state comptroller, said his office was analyzing ways to make those plans more readily available. “I am hopeful that we can encourage more opportunities for municipalities, particularly school districts, to partner with the state,” Mr. Lembo said in a statement, “including through both the 457 and 403(b) plans.”

Joshua B. Gottfried, a financial planner in Connecticut who works with many teachers, has said he often tells them to avoid the 403(b) altogether, given the dismal lineup of available investments and the high fees.

He said the state-run plan is a better option. “Compared to many of the products we see in local districts, it does provide a better platform by offering teachers the benefits of low-cost funds and diversification,” Mr. Gottfried said.

THE NEW YORK TIMES

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JUNE 15, 2017