Public Employees' Retirement Board
April 14, 2016

Topic: **MAR Notice # 2-43-538**
Proposed Amendment of ARM 2.43.3502 and ARM 2.43.5102 to adopt revised Investment Policy Statements for the PERS DCRP and the 457(b) Deferred Compensation plans, respectively Document

Recommendation:

Approve MAR Notice #2-43-538 amending ARM 2.43.3502 and ARM 2.43.5201 to adopt by reference the DCRP IPS and 457(b) IPS adopted by the Board April 14, 2016.

Discussion:

The DCRP Investment Policy Statement and the 457(b) Investment Policy Statement are adopted by reference within the Administrative Rules of Montana. Because the Board adopted revised versions of the Investment Policy Statements, it is now necessary to amend the rules that adopt those statements by reference.

ARM 2.43.3502 must be amended to adopt by reference the most recent DCRP IPS while ARM 2.43.5102 must be amended to adopt by reference the most recent 457(b) IPS.

Board Motion:

☐ Uphold Staff Recommendation

☐ Other

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Moved by

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Seconded by

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Vote

BEFORE THE PUBLIC EMPLOYEES' RETIREMENT BOARD
OF THE STATE OF MONTANA

In the matter of the amendment of ARM 2.43.3502 pertaining to the investment policy statement for the Defined Contribution Retirement Plan and ARM 2.43.5102 pertaining to the investment policy statement for the 457 Deferred Compensation Plan	)))))))	NOTICE OF PROPOSED AMENDMENT NO PUBLIC HEARING CONTEMPLATED

TO: All Concerned Persons

1. On June 27, 2016, the Public Employees' Retirement Board proposes to amend the above-stated rules.

2. The Public Employees' Retirement Board will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the Montana Public Employee Retirement Administration no later than 5:00 p.m. on May 27, 2016, to advise us of the nature of the accommodation that you need. Please contact Kris Vladic, Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana, 59620-0131; telephone (406) 444-2578; fax (406) 444-5428; TDD (406) 444-1421; or e-mail kvladic@mt.gov.

3. The rules as proposed to be amended provide as follows, new matter underlined, deleted matter interlined:

2.43.3502 ADOPTION OF INVESTMENT POLICY STATEMENT AND STABLE VALUE FUND INVESTMENT GUIDELINES (1) The board adopts and incorporates by reference the State of Montana 401(a) Defined Contribution Plan Investment Policy Statement approved by the board on ~~June 11, 2015~~ April 14, 2016. The Investment Policy Statement provides investment guidelines for the defined contribution plan, a long-term retirement-savings vehicle that permits participants to invest employer and participant contributions on a tax-deferred basis. The investment guidelines help the board to meet its fiduciary responsibilities to evaluate and positively influence the direction of the plan and its investments for the benefit of the plan participants and beneficiaries.

(2) and (3) remain the same.

AUTH: 19-3-2104, MCA
IMP: 19-3-2104, 19-3-2122, MCA

2.43.5102 ADOPTION OF INVESTMENT POLICY STATEMENT AND STABLE VALUE FUND INVESTMENT GUIDELINES (1) The board adopts and incorporates by reference the State of Montana 457 Plan (deferred compensation)

Investment Policy Statement approved by the board on ~~June 11, 2015~~ April 14, 2016. The Investment Policy Statement provides investment guidelines for the 457(b) deferred compensation plan, a supplemental retirement-savings vehicle that permits participants to invest on either a pre-tax or a tax-deferred basis. The investment guidelines help the board to meet its fiduciary responsibilities to evaluate and positively influence the direction of the plan and its investments for the benefit of the plan participants and beneficiaries.

(2) and (3) remain the same.

AUTH: 19-50-102, MCA
IMP: 19-50-102, MCA

STATEMENT OF REASONABLE NECESSITY: The Public Employees' Retirement Board, as administrator of the Public Employees' Retirement System Defined Contribution Retirement Plan (DCRP) and the State of Montana's 457(b) Deferred Compensation Plan (457 Plan), adopted the two plans' original investment policy statements in 2002. The investment policy statements are reviewed on a yearly basis and amended to reflect best practices in defined contribution plan investments.

Pursuant to the recommendation of the Board's investment consultant, Buck Consultants, and the Board's advisory committee, the Employee Investment Advisory Council, the Board amended the investment policy statements on April 14, 2016 to clarify that (1) mutual funds retained or added to each plan may have an expense ratio that exceeds the mean for the fund's peer group if revenue sharing fees are returned to the fund participants; and a non-institutional share class may be added or retained in the plans if the fee rebate results in a lower net fee to the fund participants.

Because the Board determined to adopt the original investment policy statements by reference, section 2-4-307(4), MCA, requires that changes to the documents also be adopted by reference. Therefore, it is necessary to amend the rules that adopt the investment policy statements to indicate the version of the investment policy statements being adopted by reference.

The investment policy statements are available on the board's web page at mpera.mt.gov.

4. Concerned persons may submit their data, views, or arguments concerning the proposed action in writing to: Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana, 59620-0131; telephone (406) 444-3154; fax (406) 444-5428; or e-mail mpera@mt.gov, and must be received no later than 5:00 p.m., June 3, 2016.

5. If persons who are directly affected by the proposed amendments wish to express their data, views, or arguments orally or in writing at a public hearing, they must make written request for a hearing and submit this request along with any

written comments they have to Kris Vladic at the above address no later than 5:00 p.m., June 3, 2016.

6. If the Public Employees' Retirement Board receives requests for a public hearing on the proposed amendments from either 10 percent or 25, whichever is less, of the persons directly affected by the proposed amendment; from the appropriate administrative rule review committee of the Legislature; from a governmental subdivision or agency; or from an association having not less than 25 members who will be directly affected, a hearing will be held at a later date. Notice of the hearing will be published in the Montana Administrative Register. Ten percent of those directly affected has been determined to be 1,099 persons based on approximately 2,284 participants in the Defined Contribution Retirement Plan and 8,708 participants in the Deferred Compensation Plan as of June 30, 2015, for a total of 10,992 participants.

7. The Public Employees' Retirement Board maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies for which program the person wishes to receive notices. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be mailed or delivered to the contact person in 5 above or may be made by completing a request form at any rules hearing held by the PER Board.

8. An electronic copy of this proposal notice is available through the Secretary of State's web site at http://sos.mt.gov/ARM/Register. The Secretary of State strives to make the electronic copy of this notice conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that if a discrepancy exists between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered. In addition, although the Secretary of State works to keep its web site accessible at all times, concerned persons should be aware that the web site may be unavailable during some periods, due to system maintenance or technical problems.

9. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

10. With regard to the requirements of 2-4-111, MCA, the Public Employees' Retirement Board has determined that the amendment of the above-referenced rules will not significantly and directly impact small businesses.

/s/ Melanie A. Symons	/s/ Sheena Wilson
Melanie A. Symons	Sheena Wilson
Chief Legal Counsel	President
and Rule Reviewer	Public Employees' Retirement Board

Certified to the Secretary of State April 25, 2016

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