

# Public Employees' Retirement Board

April 14, 2016

**Topic: Distribution of Excess Plan Choice Rate (PCR) Dollars**

**Staff Recommendation:**

Staff recommends either of the following 2 alternatives:

1. Excess DCRP contributions:

0.47% to the PERS DCRP Long-Term Disability Fund (\$19,495.04)  
3.37% to the PERS DCRP Admin Fund (\$139,783.61)

Excess MUS contributions:

3.84% to the Office of the Commissioner of Higher Ed to be distributed pursuant to their plan requirements. (\$25,707.48)

2. Excess DCRP contributions:

3.84% to the PERS DCRP Admin Fund (\$159,278.65)

Excess MUS contributions:

3.84% to the Office of the Commissioner of Higher Ed to be distributed pursuant to their plan requirements (\$25,707.48)

**Discussion and Analysis:**

Pursuant to section 19-3-2117(4), MCA and ARM 2.43.3533, the Board verified on March 31, 2016 that the PCR-UAL was satisfied effective March 14, 2016. The Board further determined that starting with the 1<sup>st</sup> payday in April 2016, DCRP and MUS-RP participants would begin receiving into their own DCRP account the 3.84% of contributions previously directed to the PCR-UAL.

A decision remains with respect to the \$184,986.13 in PCR-UAL contributions received between March 14, 2016 and March 31, 2016.

The 2015 Montana Legislature made a concerted effort to pay off the PCR-UAL by directing all additional PERS employer retirement contributions to the PCR-UAL. Prior to 2015, 1% of the additional contributions were directed to the PERS DBRP unfunded liability while the additional 0.27% (which increases 0.1% every

year and is currently .47%), was directed first to the PCR-UAL and then to the long-term disability plan trust fund.

There are currently 5 disabled DCRP participants receiving a disability benefit from the long-term disability plan trust fund. As of June 30, 2015, the actuary determined that the DCRP Disability UAL was \$0.45 million and the funded ratio was 86%. Directing the 0.47% (\$19,495.04) to that trust fund would increase the funded ratio to 86.6%. Staff believes this to be consistent with previous legislative intent, and in the best interest of our PERS DCRP participants.

The remaining 3.37% of excess contributions (\$139,783.61) should be directed to the PERS DCRP Admin Fund to assist with the expenses related to the costs of administering the DCRP. This addition will benefit the PERS DCRP participants by the possible reduction of fees they must pay.

In the event the Board determines not to direct any of the excess DCRP PCR-UAL contributions to the long-term disability trust fund, the entire excess should be directed to the PERS DCRP Admin Fund. Distribution of this excess to DCRP participant accounts has not been provided for in statute or rule and could trigger a qualification issue. Defined contribution plans require a specifically defined contribution be paid to participants. Payment of this excess amount to the participants would unilaterally change the contribution paid and would not be consistent with statute. It would also be impossible to distribute the excess to participants on a fair and non-discriminatory basis as only certain participants would be implicated, those whose employer paid contributions after March 14, 2016. A proportionate distribution to all participants would result in participants receiving contributions from an entity other than their employer and could again trigger qualification issues.

Staff has been in touch with Connie Welsh, OCHE's Director of Benefits regarding the distribution of excess MUS contributions. OCHE has requested that the contributions be directed to OCHE for proper distribution under the terms of their plan.

**Board Motion:**

Option 1

Option 2

Other

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Moved by

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Seconded by

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Vote

Total PCR Excess = \$184,986.13

<u>DC PCR</u>	<u>MUS-RP PCR</u>
159,278.65	25,707.48

Disability	0.47%	19,495.04
DC	3.37%	<u>139,783.61</u>
	3.84%	159,278.65

DC total	88%
Disability	12%

MUS-RP Active Members

Central Payroll	8
MSU Great Falls	3
U of M	193
MSU	183
MSU Billings	<u>8</u>
Total	395