Public Employees' Retirement Board
May 8, 2014

Topic: Annual 457(b) & DCRP Annual Fee Review

Board Admin Policies 13 and 14 provide guidance for the annual review of fees assessed to participants in the 457(b) and DCRP retirement plans. Each year as part of our fiduciary duty we review all fees charged to participants relative to the cost of the plans' administrative expenses in order to determine if the fees are reasonable to cover plan expenses.

History: In 2012 the Board reduced fees charged to participants in both plans:

457(b)

- Reduced the per participant annual fee from $5.00 to $0
- Effective October 1, 2012, for any investments made after October 1, 2012 refund all revenue sharing fees back to investing participants
- Reduced asset based fees by 2 basis points in each account balance category.

DCRP

- Reduced the per participant fee from $57.00 to $0
- Effective October 1, 2012, for any investments made after October 1, 2012 refund all revenue sharing fees back to investing participants.

At the May 9, 2013 Board meeting staff recommended that that fee reductions for both plans continue through Fiscal Year 2014.

On April 17, 2014 staff presented fee review information to EIAC, who agreed to make a recommendation to the Board to leave fees unchanged in the 457(b) plan and cover all expenses in the DCRP plan.

Staff Recommendation:

Staff reviewed revenue and expense data through March 30, 2014 for both plans.

For the 457(b): No recommended changes to the current fee structure.

For the PERS-DCRP: In order to ensure we are covering all plan expenses and maintaining an appropriate fund balance under the Board policy, we must increase participant fees to cover projected plan expenses for Fiscal Years 2015 through 2018.

Beginning July 1, 2015: **Increase PERS-DCRP plan participant fee to: $63.00**
Increase PERS-DCRP plan basis point fee to: 25 basis points

Board Motion:

457(b):		**PERS-DCRP**
I move: □ accept staff recommendation to make no changes to current fee structure for FY 2015;		I move: □ accept staff recommendation to increase participant fees
Or □ Board pleasure		Or □ Board pleasure
Moved by		Moved by
Seconded by Vote:		Seconded by Vote:

457

	ACTUALS					PROJECTIONS						
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018		
457 Total Investments	$ 278,809,000	$ 320,306,000	$ 359,980,000	$ 358,197,000	$ 397,590,000	$ 417,469,500	$ 438,342,975	$ 460,260,124	$ 483,273,130	$ 507,436,786	5%	Investments increase projection per year
Revenues												
Great West Revenues											3%	Participants increase projection per year
Participant Charge	$ 40,883	$ 40,746	$ 40,691	$ 40,553	$ -	$ -	$ -	$ -	$ -	$ -	$0.00	Participants projection per year
Asset Based (BPS)	$ 607,709	$ 655,763	$ 684,968	$ 700,514	$ 689,657	$ 834,939	$ 876,686	$ 920,520	$ 966,546	$ 1,014,874	20	20 bps points
Total	$ 648,591	$ 696,509	$ 725,659	$ 741,067	$ 689,657	$ 834,939	$ 876,686	$ 920,520	$ 966,546	$ 1,014,874		
Revenue Sharing Fees	$ 175,215	$ 191,124	$ 220,750	$ 220,415	$ 56,802	$ -	$ -	$ -	$ -	$ -	0%	Revenue Sharing Fees increase projection per year
457 Gross Revenue Collected	$ 823,102	$ 887,103	$ 945,886	$ 961,483	$ 746,459	$ 834,939	$ 876,686	$ 920,520	$ 966,546	$ 1,014,874		
MPERA Revenues												
Fidelity - Revenue Sharing (25 bps)	$ 38,108	$ 43,803	$ 50,196	$ 51,766	$ 54,271	$ 56,984	$ -	$ -	$ -	$ -	5%	Fidelity increase projection per year
STIP Earnings	$ 12,440	$ 2,554	$ 2,738	$ 2,836	$ 3,480	$ 1,692	$ 1,692	$ 1,692	$ 1,692	$ 1,692	0%	STIP increase projection per year
Total	$ 50,548	$ 46,357	$ 52,934	$ 54,602	$ 57,750	$ 58,676	$ 1,692	$ 1,692	$ 1,692	$ 1,692		
Total Revenue	$ 873,651	$ 933,460	$ 998,820	$ 1,016,085	$ 804,209	$ 893,615	$ 878,378	$ 922,212	$ 968,238	$ 1,016,565		
Expenses												
Great West Expenses												
Due to Great West (Expense) - $57.00/participant	$ 451,621	$ 449,115	$ 450,183	$ 450,638	$ 453,506	$ 467,830	$ 558,108	$ 574,852	$ 592,097	$ 609,860		
Account Exec - Third Acct. Exec outside original contract	$ 66,640	$ 65,556	$ 27,129	$ 64,668	$ 64,241	$ 65,450						Based on approx 77% of total lives in 457 - ($21250 x 4qtrs = $85,000 x %)
Total Due to Great West (Expense)	$ 518,261	$ 514,671	$ 477,311	$ 515,306	$ 517,747	$ 533,280	$ 558,108	$ 574,852	$ 592,097	$ 609,860	3%	Due to Great West increase projection per year
MPERA Expenses												
Administrative Expenses w/Wilshire	$ 317,727	$ 277,208	$ 271,822	$ 251,393	$ 276,085	$ 298,172	$ 322,025	$ 347,788	$ 375,611	$ 405,659	8%	Administrative expenses increase projection per year
MPERAtiv Capitalization Amortized Expense							$ 15,281	$ 30,562	$ 30,562	$ 30,562		MPERAtiv Development cost amortized over 10 years
MPERAtiv Expense	$ -	$ -	$ 16,084	$ 106,256	$ 168,968	$ 67,987	$ 133,347	$ 100,654	$ -	$ -		Set amount based on MPERAtiv Budget
MPERA Expenses Total	$ 317,727	$ 277,208	$ 287,906	$ 357,650	$ 445,053	$ 366,158	$ 470,654	$ 479,004	$ 406,173	$ 436,222		
Total Expenses Including Great West	$ 835,988	$ 791,879	$ 765,217	$ 872,956	$ 962,800	$ 899,438	$ 1,028,762	$ 1,053,856	$ 998,270	$ 1,046,082		
Revenues greater than (less than) Expenses	$ 37,663	$ 141,581	$ 233,602	$ 143,129	$ (158,590)	$ (5,823)	$ (150,385)	$ (131,644)	$ (30,032)	$ (29,516)		
Beginning Fund Balance	$ 685,157	$ 788,689	$ 1,013,004	$ 1,345,220	$ 1,735,565	$ 1,576,975	$ 1,571,152	$ 1,420,767	$ 1,289,124	$ 1,259,092		
Prior Year Adjustment (*)	$ 65,869	$ 82,734	$ 98,613	$ 247,217								
Ending Fund Balance	$ 788,689	$ 1,013,004	$ 1,345,220	$ 1,735,565	$ 1,576,975	$ 1,571,152	$ 1,420,767	$ 1,289,124	$ 1,259,092	$ 1,229,576		
											10%	
BOARD ADMIN POLICY 14 (With Total Expenses Including Great West):												
What to hold in Admin Fund = + 10%	$ 919,587	$ 871,067	$ 841,739	$ 960,251	$ 1,059,080	$ 989,382	$ 1,131,639	$ 1,159,241	$ 1,098,097	$ 1,150,690		
What to hold in Admin Fund = - 10%	$ 752,389	$ 712,691	$ 688,696	$ 785,660	$ 866,520	$ 809,494	$ 925,886	$ 948,470	$ 898,443	$ 941,473		
Excess Fund Balance	$ (130,897)	$ 141,937	$ 503,481	$ 775,314	$ 517,895	$ 581,770	$ 289,129	$ 129,883	$ 160,995	$ 78,886		
	$ 36,300	$ 300,313	$ 656,524	$ 949,905	$ 710,455	$ 761,658	$ 494,881	$ 340,654	$ 360,649	$ 288,102		

* **Footnote:**

At MPERA's request Great-West has refined the information sent with the fee revenues. The changes include a breakout of participant charges and asset based recovery charges as well as the plan break out for Revenue Sharing fee charges back to 2009. Prior year adjustments were the result of reallocating the fee revenues from DC to 457 based on the new information obtained.

All revenue sharing fees to be refunded to the participants effective October 1, 2012. These fees are projected at 0 for all following fiscal years.

As of July 1, 2012, participant charges of $1.25 per quarter ($5.00 per year) were reduced to $0 per quarter, while there is an excess fund balance. Projections are based on no participant fees being charged.

As of July 1, 2014, Great West participant fees will increase to $63.00 per participant from $57.00 per participant. Also, account exec fees will not be individually assessed and are included in the Great West Participant fees.

STIP revenue has been decreasing, due to falling interest rates, resulting in a 0% increase for future years.

As of July 1, 2014, Fidelity Fees will be returned to participants.

MPERAtiv reached it's Development stage in January 2013 and is expected to be finished with development in January 2015. During the development stage, the expenses were capitalized to be expensed on a 10 year amortization period.

Fiscal Year 2015 MPERAtiv Expense includes the 10% holdback of the vendor bills.

Legend of Annual Assumptions
Investments increase by 5%
Participants increase by 3%
Participant annual fee $0
Basis Point Fee 20 bps
Revenue Sharing fees increase by 0%
Fidelity Fees 5%
STIP revenues 0%
Great-West expenses 3%
MPERA expenses 10%

DCRP

	ACTUALS					PROJECTIONS						
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018		
DCRP Total Investments	$ 43,018,000	$ 56,670,000	$ 75,242,000	$ 83,277,000	$ 101,367,000	$ 111,503,700	$ 122,654,070	$ 134,919,477	$ 148,411,425	$ 148,411,425	10%	Investments increase projection per year
Revenues												
Great West Revenues											3%	Participants increase projection per year
Participant Charge	$ 126,237	$ 136,873	$ 140,490	$ 144,213	$ -	$ -	$ 186,385	$ 192,040	$ 197,866	$ 203,869	$63.00	Participants projection per year
Asset Based (BPS) - 20 BPS	$ 95,967	$ 108,848	$ 135,270	$ 151,614	$ 184,538	$ 223,007	$ 306,635	$ 337,299	$ 371,029	$ 371,029	25	20 bps points
Total	$ 222,204	$ 245,721	$ 275,761	$ 295,827	$ 184,538	$ 223,007	$ 493,020	$ 529,338	$ 568,895	$ 574,898		
Revenue Sharing Fees	$ 46,095	$ 47,108	$ 52,331	$ 53,072	$ 9,984	$ -	$ -	$ -	$ -	$ -	0%	Revenue Sharing Fees increase projection per year
DCRP Gross Revenue Collected	$ 267,595	$ 292,299	$ 327,569	$ 348,899	$ 194,523	$ 223,007	$ 493,020	$ 529,338	$ 568,895	$ 574,898		
MPERA Revenues												
Forfeitures - Return of unvested Employer contributions	$ 265,972	$ 320,942	$ 417,366	$ 413,656	$ 398,447	$ 202,231	$ 202,231	$ 202,231	$ 202,231	$ 202,231	0%	Forfeitures increase projection per year
STIP Earnings	$ 17,895	$ 3,760	$ 4,224	$ 4,097	$ 3,326	$ 1,661	$ 1,661	$ 1,661	$ 1,661	$ 1,661	0%	STIP increase projection per year
Total	$ 283,866	$ 324,702	$ 421,590	$ 417,753	$ 401,773	$ 203,893	$ 203,893	$ 203,893	$ 203,893	$ 203,893		
Total Revenue	$ 551,461	$ 617,001	$ 749,159	$ 766,652	$ 596,296	$ 426,900	$ 696,913	$ 733,231	$ 772,787	$ 778,790		
Expenses												
Great West Expenses												
Due to Great West (Expense) - $57.00/participant	$ 124,421	$ 133,211	$ 137,715	$ 152,944	$ 146,780	$ 153,040	$ 186,385	$ 191,976	$ 197,736	$ 203,668		
Account Exec - Third Acct. Exec outside original contract	$ 18,360	$ 19,444	$ 8,287	$ 21,951	$ 20,783	$ 19,550						Based on approx 23% of total lives in DCRP - ($21250 x 4qtrs = $85,000 x %)
Total Due to Great West (Expense)	$ 142,781	$ 152,655	$ 146,003	$ 174,895	$ 167,563	$ 172,590	$ 186,385	$ 191,976	$ 197,736	$ 203,668	3%	Due to Great West increase projection per year
MPERA Expenses												
Administrative Expenses w/Wilshire	$ 392,053	$ 397,236	$ 375,403	$ 360,918	$ 395,292	$ 443,662	$ 479,155	$ 517,487	$ 558,886	$ 603,597	8%	Administrative expenses increase projection per year
MPERAtiv Capitalization Amortized Expense							$ 12,856	$ 25,712	$ 25,712	$ 25,712		MPERAtiv Development cost amortized over 10 years
MPERAtiv Administrative Expenses	$ -	$ -	$ 13,565	$ 89,549	$ 142,502	$ 57,155	$ 112,230	$ 84,889	$ -	$ -		Set amount based on MPERAtiv Budget
MPERA Expenses Total	$ 392,053	$ 397,236	$ 388,968	$ 450,466	$ 537,794	$ 500,817	$ 604,241	$ 628,089	$ 584,599	$ 629,309		
Total Expenses Including Great West	$ 534,834	$ 549,891	$ 534,971	$ 625,362	$ 705,356	$ 673,406	$ 790,626	$ 820,065	$ 782,334	$ 832,977		
Revenues greater than (less than) Expenses	$ 16,627	$ 67,110	$ 214,188	$ 141,290	$ (109,060)	$ (246,506)	$ (93,713)	$ (86,834)	$ (9,547)	$ (54,187)		
Beginning Fund Balance	$ 966,468	$ 917,226	$ 901,602	$ 1,017,177	$ 911,250	$ 802,190	$ 555,684	$ 461,970	$ 375,136	$ 365,589		
Prior Year Adjustment (*)	$ (65,869)	$ (82,734)	$ (98,613)	$ (247,217)	$ -	$ -	$ -	$ -	$ -	$ -		
Ending Fund Balance	$ 917,226	$ 901,602	$ 1,017,177	$ 911,250	$ 802,190	$ 555,684	$ 461,970	$ 375,136	$ 365,589	$ 311,402		
BOARD ADMIN POLICY 13 (With MPERA Expenses Total):											10%	
What to hold in Admin Fund = + 10%	$ 431,258	$ 436,959	$ 427,865	$ 495,513	$ 591,573	$ 550,898	$ 664,665	$ 690,898	$ 643,058	$ 692,240		
What to hold in Admin Fund = - 10%	$ 352,848	$ 357,512	$ 350,071	$ 405,420	$ 484,014	$ 450,735	$ 543,817	$ 565,280	$ 526,139	$ 566,379		
Excess Fund Balance	$ 485,968	$ 464,642	$ 589,312	$ 415,737	$ 210,617	$ 4,785	$ (202,695)	$ (315,761)	$ (277,469)	$ (380,838)		
	$ 564,378	$ 544,090	$ 667,105	$ 505,830	$ 318,175	$ 104,949	$ (81,847)	$ (190,144)	$ (160,549)	$ (254,976)		

* **Footnote:**

At MPERA's request Great-West has refined the information sent with the fee revenues. The changes include a breakout of participant charges and asset based recovery charges as well as the plan break out for revenue sharing fee charges back to 2009. Prior year adjustments were the result of reallocating the fee revenues from DC to 457 based on the new information obtained.
All revenue sharing fees to be refunded to the participants effective October 1, 2012. These fees are projected at 0 for all following fiscal years.
As of July 1, 2012, participant charges of $14.25 per quarter ($57.00 per year) were reduced to $0 per quarter, while there is an excess fund balance. Projections are based on no participant fees being charged through FY14 and increasing to $25.00 per year in FY15.
As of July 1, 2014, Great West participant fees will increase to $63.00 per participant from $57.00 per participant. Also, account exec fees will not be individually assessed and are included in the Great West Participant fees.

Forfeiture revenue has been decreasing, since MPERA Education staff have been educating members and employers more about their options, resulting in a 0% increase projected for future years.
STIP revenue has been decreasing, due to falling interest rates, resulting in a 0% increase for future years.
MPERAtiv reached it's Development stage in January 2013 and is expected to be finished with development in January 2015. During the development stage, the expenses were capitalized to be expensed on a 10 year amortization period.
Fiscal Year 2015 MPERAtiv Expense includes the 10% holdback of the vendor bills.

Legend of Annual Assumptions
Investments increase by 10%
Participants increase by 3%
Participant annual fee $63.00
Basis Point Fee 34 bps
Revenue Sharing fees increase by 0%
Forfeitures increase 0%
STIP revenues 0%
Great-West expenses 3%
MPERA expenses 10%