

**Public Employees' Retirement Board
June 11, 2015**

Topic: Board Admin Policies 13 & 14 Administrative Funds

Staff is recommending changes to Board Admin Policy 13 & 14 to clarify the minimum and maximum fund levels held in each fund.

Staff Recommendation:

Accept recommended changes to administrative policies as drafted.

Board Motion:

I move:

approve staff recommendation

Or

Board pleasure

Moved by

Seconded by

Vote

MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

TITLE: PERS 401(a) Defined Contribution Retirement Plan
Administrative Fund

POLICY NO: BOARD Admin 13 EFFECTIVE DATE:
05/08/201406/11/2015

I. POLICY AND OBJECTIVE

It is the policy of the Montana Public Employees' Retirement Board (the Board), consistent with 19-3-2105 MCA, to assess appropriate fees to members of the Public Employees' Retirement System (PERS) who elect to join the PERS Defined Contribution Retirement Plan (DCRP).

The primary objective of this policy is to establish guidelines to maintain a DCRP participant fee structure that will ensure sufficient revenue to pay reasonable DCRP administrative expenses. The policy defines the level of the administrative fund and action the Board may take if the fund level described in Section V is not maintained. The policy further defines uses of revenue and types of (additional) services the Board may offer.

It is the intent of the Board to maintain consistent fees and services and, when possible, improve services. Consistent fees build confidence, integrity and allow DCRP participants to accurately determine how their individual accounts are affected by fees. Consistent fees also allow the Board to comply with, or meet the intent of, Federal Department of Labor and other regulatory authorities' disclosure requirements or guidance.

II. APPLICABILITY

This policy applies only to participants of the PERS DCRP and the following revenue associated with the DCRP:

- a) assessed basis point fees
- b) assessed per participant fees
- c) Investment options' revenue sharing fees and,
- d) Employer forfeitures, as defined in 19-3-2116 and 19-3-2117, MCA.

Revenue received through the sources identified above may be used to pay for contracted services, subject to the provisions of this policy.

III. USE OF REVENUE

Revenue will be used for the following purposes - to the extent available and provided that the administrative fund level established in Section V of this policy is maintained.

- A. Pay all standard expenses approved by the Board in its annual budget for MPERA administration of the DCRP;
- B. Pay for services determined necessary to comply with 19-3-112, MCA or federal laws or regulations;
- C. Pay extraordinary or unknown expenses that could not be anticipated or budgeted;
 - 1. examples would be litigation, SEC claims, or federal law changes
- D. Provide additional services to DCRP participants recommended by the Board's Employee Investment Advisory Council (EIAC) and approved by the Board; and
 - 1. examples include additional member education (beyond that required in 19-3-112, MCA), investment advice or self-directed brokerage windows
- E. Offset fees directly charged to DCRP participants by contracted third party providers.

IV. GUIDELINES FOR FEE CHANGES

Generally, the Board will review revenue on an annual basis as its annual budget is established and approved. The Board will, typically, make necessary changes to the basis point fee, and/or per participant fee charged to DCRP participants only at that time and under the following limited circumstances:

- A. the administrative account fund level established in Section V will not be maintained, based upon the new annual budget needs; or
- B. the administrative account fund level established in Section V will be exceeded, based upon the new annual budget needs.

This Section does not prohibit the Board from increasing the basis point fee at any time during the fiscal year, if deemed necessary due to extraordinary and unknown circumstances.

V. LEVEL OF THE ADMINISTRATIVE FUND

The fund level of the DCRP administrative account must be sufficient to ensure operations and administration are not halted or adversely affected by market

fluctuations. The fund level must also be conservative and reasonable. The administrative fund shall be maintained at a sufficient level to ensure that at least six (6) months, but no greater than twelve (12) months, of administrative and contracted recordkeeping expenses are held within the fund.

~~Consequently, the administrative fund level will be calculated on six (6) months of administrative expenses and contracted recordkeeping expenses paid by the plan sponsor pursuant to the Board's approved annual budget, and maintained within a corridor of ten percent (10%) to fifty percent (50%).~~

VI. CROSS REFERENCES

The following laws, rules or policies may contain provisions that might modify a decision relating to the DCRP Administrative Fund policy. This list should not be considered exhaustive – others may apply.

Montana Constitution Article VIII, Sections 13 and 15
Section 19-3-112, MCA
Section 19-3-2116, MCA
Section 19-3-2117, MCA
Board Policy Admin 01 – Funding and Benefit Policy
Board Policy Admin 06 – General Education
Board Policy Admin 07 – Investment Education

VII. HISTORY

New Policy
Revised ~~05/08/2014~~ May 8, 2014
Revised June 11, 2015

MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

TITLE: 457(b) Deferred Compensation Plan Administrative Fund

POLICY NO: BOARD Admin 14

EFFECTIVE

DATE:

05/08/201406/11/2015

I. POLICY AND OBJECTIVE

It is the policy of the Montana Public Employees' Retirement Board (the Board) to assess appropriate fees to participants of the State 457(b) Deferred Compensation Plan (the 457 Plan).

The primary objective of this policy is to establish guidelines to maintain a participant fee structure that will ensure sufficient revenue to pay reasonable 457 Plan administrative expenses. The policy defines the level of the administrative fund and action the Board may take if the fund level described in Section V is not maintained. The policy further defines uses of revenue and types of (additional) services the Board may offer.

It is the intent of the Board to maintain consistent fees and services and, when possible, improve services. Consistent fees build confidence, integrity and allow 457 Plan participants to accurately determine how their individual accounts are affected by fees. Consistent fees also allow the Board to comply with, or meet the intent of, Federal Department of Labor and other regulatory authorities' disclosure requirements or guidance.

II. APPLICABILITY

This policy applies only to participants of the 457 Plan and the following revenue associated with the 457 Plan:

- a) assessed basis point fees,
- b) assessed per participant fees and,
- c) investment options' revenue sharing fees.

Revenue received through the sources identified above may be used to pay for contracted services, subject to the provisions of this policy.

USE OF REVENUE

Revenue will be used for the following purposes - to the extent available and provided that the administrative fund level established in Section V of this policy is maintained.

- A. Pay for contracted recordkeeping and administrative services.
- B. Pay all standard expenses approved by the Board in its annual budget for MPERA administration of the 457 Plan;
- C. Pay extraordinary or unknown expenses that could not be anticipated or budgeted; and
 - 1. examples would be litigation, SEC claims, or federal law changes
- D. Provide additional services to 457 Plan participants recommended by the Board's Employee Investment Advisory Council (EIAC) and approved by the Board;
 - 1. examples include additional member education (beyond that required in §19-3-112, MCA), investment advice or self-directed brokerage windows.

III. GUIDELINES FOR FEE CHANGES

Generally, the Board will review revenue on an annual basis as its annual budget is established and approved. The Board will, typically, make necessary changes to the basis point fee, and/or per participant fee charged to 457 Plan participants only at that time and under the following limited circumstances:

- A. the administrative account fund level established in Section V will not be maintained, based upon the new annual budget needs; or
- B. the administrative account fund level established in Section V will be exceeded, based upon the new annual budget needs.

This Section does not prohibit the Board from increasing the basis point fee at any time during the fiscal year, if deemed necessary due to extraordinary and unknown circumstances.

IV. LEVEL OF THE ADMINISTRATIVE FUND

The fund level of the 457 Plan administrative account must be sufficient to ensure operations and administration are not halted or adversely affected by market fluctuations. The fund level must also be conservative and reasonable. The administrative fund shall be maintained at a sufficient level to ensure that at least six (6) months, but no greater than twelve (12) months, of administrative and contracted recordkeeping expenses are held within the fund. ~~Consequently, the administrative fund level will be calculated on six (6) months of administrative expenses and contracted recordkeeping expenses paid by the plan sponsor pursuant to the Board's approved annual budget and maintained within a corridor of ten percent (10%) to fifty percent (50%).~~

V. CROSS REFERENCES

The following laws, rules or policies may contain provisions that might modify a decision relating to the 457 Plan Administrative Fund policy. This list should not be considered exhaustive – others may apply.

Montana Constitution Article VIII, Sections 13 and 15
Section 19-50-101 through 104, MCA
Board Policy Admin 06 – General Education
Board Policy Admin 07 – Investment Education

VI. HISTORY

New Policy

Revised May 8, 2014

Revised June 11, 2015