

Public Employees' Retirement Board

August 13, 2015

Topic: Proposed Amendment of Administrative Rule – Notice. No. 2-43-529

This rule is proposed to be amended to adopt by reference the most recently approved Investment Policy Statements for the DCRP and for the state of Montana's 457(b) deferred compensation plan. The amended statements were approved at the Board's June 2015 meeting.

Staff Recommendation:

Staff recommends the Board adopt the proposed rule amendment and approve submittal to the Secretary of State's office as a "Notice of Proposed Amendment"

Board Motion:

Uphold Staff Recommendation

Other.

Moved by

Seconded by

Vote

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

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

TO: All Concerned Persons

1. On October 30, 2015, the Public Employees' Retirement Board proposes to amend the above-stated rule.

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 Public Employee Retirement Administration no later than 5:00 p.m. on September 21, 2015, to advise us of the nature of the accommodation that you need. Please contact Kris Vladoic, 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 kvladoic@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 ~~May 8, 2014~~ June 11, 2015.
(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 ~~May 9, 2013~~ June 11, 2015.
(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. Upon recommendation of the Board's investment advisor, Buck Consultants, and the Employees' Investment Advisory Council, the board determined on June 11, 2015 to slightly broaden the investment guidelines for both plans.

The first change recognizes that not all viable fund options will have a minimum of 3 years measurable operating history. For those funds, the investment manager's history of managing a fund with similar management and investment objections for at least 5 years may be used for evaluation purposes. Similarly, the second change recognizes the volatile nature of today's market by allowing retention of funds that have a strong performance record over a long time period to remain in either plan despite short-term under-performance.

Because the Public Employees' Retirement Board adopted the original investment policy statements by reference, 2-4-307(3), MCA, requires that changes to those statements also be adopted by reference. Therefore, it is necessary to amend the rules that adopt the investment policy statements by reference to refer to the most current statements.

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: 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., September 28, 2015.

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 Vlacic at the above address no later than 5:00 p.m., September 28, 2015.

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 1,132 persons based on

approximately 2,188 participants in the Defined Contribution Retirement Plan and 8,488 participants in the Deferred Compensation Plan as of June 30, 2014, for a total of 11,320 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
Melanie A. Symons
Chief Legal Counsel
and Rule Reviewer

/s/
President
Public Employees' Retirement Board

Certified to the Secretary of State August 17, 2015