

Public Employees' Retirement Board

December 10, 2015

Topic: Proposed Adoption of Rule Reallocating Employer Contributions from the PCR UAL to DC Member Accounts

Staff Recommendation:

Staff recommends the Board approve the proposed adoption of the rule reallocating employer contributions from the PCR UAL to DC member accounts on each member's first pay date in the month following Board verification that the PCR UAL has been totally paid off.

Discussion:

The proposed rule provides for a process different than that established in statute because of projected \$66,600 cost associated with the statutory process. The proposed process will redirect certain employer contributions to the DC member at least one pay period sooner than under statute, without impacting the date upon which the PCR UAL is paid off.

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 adoption of New Rule 1, pertaining to the redirection of certain PERS employer contributions from the defined benefit trust fund for the purposes of paying off the plan choice rate unfunded actuarial liability to DC member accounts.)	NOTICE OF PROPOSED ADOPTION
)	NO PUBLIC HEARING CONTEMPLATED

TO: All Concerned Persons

1. On February 23, 2016, the Public Employees' Retirement Board proposes to adopt 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 Public Employee Retirement Administration no later than 5:00 p.m. on January 14, 2016, to advise us of the nature of the accommodation that you need. Please contact Kris Vlastic, Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana, 59620-0131; telephone (406) 444-2578; fax (406) 444-5428; TDD/Montana Relay Service (406) 444-1421; or e-mail kvlastic@mt.gov.

3. The rule as proposed to be adopted provides as follows:

NEW RULE 1 REALLOCATION OF CERTAIN PERS EMPLOYER CONTRIBUTIONS TO DCRP MEMBER ACCOUNTS (1) Pursuant to section 19-3-2117, MCA, certain PERS employer contributions for employees participating in the PERS DCRP are allocated to the PERS DBRP to pay off the unfunded actuarial liability created by PERS members who elected to participate in the DCRP, otherwise known as the plan choice rate unfunded actuarial liability (PCR UAL).

(2) MPERA will reallocate those certain PERS employer contributions to each DCRP member's account on that member's first pay day in the month following the board's verification that the PCR UAL has been fully paid off.

REASON: Chapter 170, L. 2015 recognizes that the Public Employees' Retirement System's Defined Benefit Retirement Plan's (PERS DBRP) unfunded actuarial liability created by PERS members electing to participate in the DCRP, otherwise known as the plan choice rate unfunded actuarial liability (PCR UAL), will be fully paid off in the near future. MPERA, through its actuary, now believes that the PCR UAL will be fully paid off in March 2016.

Section 3, Ch. 170, L. 2015 requires that all employer contributions allocated to the PCR UAL be redirected to DCRP member accounts "the first full pay period in the

month following the board's verification that the plan choice rate unfunded actuarial liability is paid off." There are over 230 employers with employees participating in the DCRP and over 500 employers with PERS participants. MPERA does not track employer-specific pay periods and is therefore currently unable to identify each employer's first full pay period in any month. MPERA's IT programmers have estimated that it would take 600 hours to program all employers' pay periods, at a cost of \$66,600.

Reallocation of the applicable employer contributions to DCRP members on each member's first pay day of the month following Board verification can be programmed in approximately 70 hours at a cost of \$7,770. The proposed reallocation would also result in the DCRP members receiving the contributions at least one pay day earlier than under the "first full pay period" scenario, with no impact on the date the PCR UAL is totally paid off. Given the associated costs of both processes, the Board believes it fiscally prudent and fiducially responsible to reallocate the applicable employer contributions on the first pay day of the month.

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., January 25, 2016.

5. If persons who are directly affected by the proposed action 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 to Kris Vladic at the above address no later than 5:00 p.m., January 25, 2016.

6. If the agency receives requests for a public hearing on the proposed action from either 10 percent or 25, whichever is less, of the persons directly affected by the proposed action; 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 209 persons based on 2091 Public Employees' Retirement System Defined Contribution Retirement Plan 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 Public Employees' Retirement 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 in the event of a discrepancy 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 apply and have been fulfilled. The primary bill sponsor was contacted by email and letter on December 1, 2015.

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 rule will not significantly and directly impact small businesses.

/s/ Melanie A. Symons
Melanie A. Symons
Chief Legal Counsel
Rule Reviewer

/s/ Sheena Wilson
Sheena Wilson
President
Public Employees' Retirement Board

Certified to the Secretary of State December 14, 2015.

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



STEVE BULLOCK
GOVERNOR

DORE SCHWINDEN
EXECUTIVE DIRECTOR

STATE OF MONTANA



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PO BOX 200131
HELENA MT 59620-0131
mpera.mt.gov

December 1, 2015

Representative Rob Cook
223 1st Ave SW
Conrad MT 59424-1805

RE: Rules Implementing HB 107 (2015)

Dear Representative Cook:

The Montana Public Employees' Retirement Board is in the process of adopting rules to implement HB 107 revising defined contribution plan funding laws. The plan choice rate unfunded actuarial liability (PCR UAL) is estimated to be paid off in March 2016. Rules establishing the process for redirecting employer contributions from the PCR UAL to DC member's accounts are needed prior to that time.

The draft proposed rule[s] will be available December 4th and will be included in the Board's December Board packet. Early comments will be accepted up until and at the December 10, 2015 Board meeting. If approved by the Board, the proposed rule[s] will be submitted to the Secretary of State's office December 14th for publication in the December 24th Montana Administrative Register (MAR). You will then have until January 25, 2016 to comment on the rules before they are submitted for final approval at the February 11th Board meeting. The notice of adoption will be submitted to the Secretary of State's office for publication in the February 22, 2016 MAR, with an effective date of February 23, 2016.

You may also provide comment to the State Administration and Veterans' Affairs interim committee.

This notice is provided to you pursuant to Section 2-4-302(2)(a) and (d), MCA. Copies of this notification are being sent to Senators Sheehy Moe and Malek as they proposed similar legislation that was subsumed by HB 107.

If you have questions regarding the proposed rules, please contact me at 444-9174.

Sincerely,

A handwritten signature in cursive script that reads "Melanie A. Symons".

Melanie Symons
MPERA Chief Legal Counsel

c: Senator Mary Sheehy Moe
Senator Sue Malek
Dore Schwinden, MPERA Executive Director