

# Public Employees' Retirement Board

June 9, 2016

## 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.
- Current Fees: Capped at \$200 annually

\$0-\$20,000	.33%
\$20,001 - \$50,000	.23%
\$50,001 – 100,000	.13%
Over \$100,000	0%

### 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.
- Effective July 1, 2016, reduced basis point fee from 20 bps to 17 bps.

On April 28, 2016 staff reviewed plan fee information with EIAC, who recommends the Board leave fees unchanged in the DCRP plan and increase fees in the 457(b) to a flat 40 basis points and increase the fee cap from 200 to \$350 per year.

### Staff Recommendation:

For the PERS-DCRP: **No change.**

For the 457(b): **Increase fees in the 457(b) to a flat 40 basis points and increase the fee cap from \$200 to \$350 per year.**

### Board Motion:

457(b):		PERS-DCRP
I move: <input type="checkbox"/> accept staff recommendation		I move: <input type="checkbox"/> accept staff recommendation
Or <input type="checkbox"/> Board pleasure		Or <input type="checkbox"/> Board pleasure
Moved by		Moved by
Seconded by                      Vote:		Seconded by                      Vote:

			PROJECTIONS				
	FY2015	FY2016	FY2017	FY2018	FY2019		
<b>Great West DCRP Total Investments <sup>1</sup></b>	\$ 142,296,736	\$ 152,814,121	\$ 164,688,847	\$ 172,923,289	\$ 181,569,453	5%	Investments increase projection per year
<b># of Participants in the 401(a) Plan</b>	3,035	3,270	3,368	3,469	3,573	3%	Participants increase projection per year
<b>Great West Contract Charge per Participant <sup>2</sup></b>	\$ 191,174	\$ 206,006	\$ 212,186	\$ 218,552	\$ 225,108	\$63.00	Participants projection per year
<b>Total Due to Great West (Expense)</b>	\$ 191,174	\$ 206,006	\$ 212,186	\$ 218,552	\$ 225,108		
<b>401(a) Asset Based (BPS)</b>	\$ 260,625	\$ 235,426	\$ 279,971	\$ 293,970	\$ 308,668	17	17 bps points
	\$ 260,625	\$ 235,426	\$ 279,971	\$ 293,970	\$ 308,668		
<b>Excess Recoveries Due to MPERA</b>	\$ 69,452	\$ 29,420	\$ 67,785	\$ 75,418	\$ 83,560		
<b>Mutual Fund Allowances 401(a) <sup>3</sup></b>	\$ -	\$ -	\$ -	\$ -	\$ -	0%	Revenue Sharing Fees increase projection per year
	\$ -	\$ -	\$ -	\$ -	\$ -		
<b>401(a) Plan Amount Paid to MPERA</b>	\$ 69,452	\$ 29,420	\$ 67,785	\$ 75,418	\$ 83,560		
<b>Forfeitures <sup>4</sup></b>	\$ 332,744	\$ 383,841	\$ 383,841	\$ 383,841	\$ 383,841	0%	Forfeitures increase projection per year
<b>STIP Earnings <sup>5</sup></b>	\$ 1,295	\$ 2,487	\$ 2,487	\$ 2,487	\$ 2,487	0%	STIP increase projection per year
<b>Participant Charges</b>	\$ -	\$ -	\$ -	\$ -	\$ -		
<b>Excess Recoveries Due to MPERA</b>	\$ 69,452	\$ 29,160	\$ 67,785	\$ 75,418	\$ 83,560		
<b>Misc Revenue (security lending, accomodation tax, investment expense)</b>	\$ 4	\$ 108	\$ 108	\$ 108	\$ 108		
<b>Total Net Revenue</b>	\$ 403,495	\$ 415,595	\$ 454,220	\$ 461,853	\$ 469,995		
<b>Administrative Expenses</b>	\$ 449,686	\$ 472,087	\$ 495,691	\$ 520,476	\$ 546,500	5%	Administrative expenses increase projection per year
<b>Capitalization Amortized Expense <sup>6</sup></b>	\$ -	\$ -	\$ 43,385	\$ 43,385	\$ 43,385		MPERAtiv Development cost amortized over 10 years
<b>MPERAtiv Administrative Expenses <sup>7</sup></b>	\$ 102,145	\$ 137,219	\$ 189,282	\$ 21,000	\$ -		Set amount based on MPERAtiv Budget
<b>Total MPERA Expenses</b>	\$ 551,831	\$ 609,306	\$ 728,359	\$ 584,861	\$ 589,885		
<b>Total Great West Expenses</b>	\$ 191,174	\$ 206,006	\$ 212,186	\$ 218,552	\$ 225,108		
<b>MPERA and Great West Expenses</b>	\$ 743,005	\$ 815,312	\$ 940,545	\$ 803,413	\$ 814,993		
<b>Beginning Fund Balance</b>	\$ 1,082,073	\$ 969,536	\$ 915,609	\$ 641,471	\$ 518,463		

Prior Year Adjustment (*)	\$ 35,799	\$ 139,784	\$ -	\$ -	\$ -
Net Change In Revenue over Expenses	\$ (148,337)	\$ (193,711)	\$ (274,139)	\$ (123,008)	\$ (119,890)
Ending Fund Balance	\$ 969,536	\$ 915,609	\$ 641,471	\$ 518,463	\$ 398,573

**POLICY:**

**D ADMIN POLICY 13 (With MPERA Expenses Total):**

What to hold in Admin Fund = 12 months	\$ 743,005	\$ 815,312	\$ 940,545	\$ 803,413	\$ 814,993
What to hold in Admin Fund = 6 months	\$ 371,502	\$ 407,656	\$ 470,273	\$ 401,706	\$ 407,497
<b>Excess Fund Balance</b>	\$ 226,531	\$ 100,297	\$ (299,075)	\$ (284,950)	\$ (416,421)
	\$ 598,034	\$ 507,953	\$ 171,198	\$ 116,756	\$ (8,924)

**Footnote:**

<sup>1</sup> Participants have a mandatory contribution rate of 7.9% and Employers have a mandatory contribution rate of 4.19%. Investments should grow annually by a minimum of 10%.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> STIP revenue has been decreasing, due to falling interest rates, resulting in a 0% increase for future years.

<sup>6</sup> MPERAtiv reached it's Development stage in January 2013 and is expected to be finished with development in May 2016 for the first phase. During the development stage, the expenses were capitalized to be expensed on a 10 year amortization period.

Legend of Annual Assumptions

- Investments increase by 5%
- Participants increase by 3%
- Participant annual fee \$63.00
- Basis Point Fee 17 bps
- Revenue Sharing fees increase by 0%
- Forfeitures increase 0%
- STIP revenues 0%
- MPERA expenses 5%

			PROJECTIONS				
	FY2015	FY2016	FY2017	FY2018	FY2019		
<b>457 Total Investments</b>	\$ 435,764,436	\$ 440,521,076	\$ 458,141,919	\$ 476,467,596	\$ 495,526,300	4%	Investments increase projection per year
<b># of Participants in the 457 Plan</b>	8,738	8,994	9264	9542	9828	3%	Participants increase projection per year
<b>Great West Contract Charge per Participant<sup>1</sup></b>	\$ 550,494	\$ 566,620	\$ 583,618	\$ 601,127	\$ 619,161	\$63.00	Participants projection per year
<b>Discount for participants in two plans</b>	\$ (32,839)	\$ (37,748)	\$ (40,405)	\$ (42,463)	\$ (44,627)		
<b>457 Total Due to Great West (Expense)</b>	\$ 517,655	\$ 528,872	\$ 543,213	\$ 558,664	\$ 574,534		
<b>457 Participant Flat Rate</b>	\$ -	\$ -	\$ -	\$ -	\$ -	0	Flat Rate Fee
<b>457 Asset Based (BPS)</b>	\$ 721,867	\$ 724,247	\$ 755,934	\$ 786,172	\$ 817,618	17	17 bps points
	721,867	724,247	755,934	786,172	817,618		
<b>Excess Recoveries Due to MPERA</b>	\$ 204,211	\$ 195,375	\$ 212,721	\$ 227,508	\$ 243,084		
<b>457 Mutual Fund Allowances<sup>3</sup></b>	\$ -	\$ -	\$ -	\$ -	\$ -	0%	Revenue Sharing Fees increase projection per year
<b>457 Plan Amount Paid to MPERA</b>	\$ 204,211	\$ 195,375	\$ 212,721	\$ 227,508	\$ 243,084		
<b>Fidelity 12(b)(1) Fees</b>	\$ 17,372	\$ -	\$ -	\$ -	\$ -	0%	Fidelity Fees increase projection per year
<b>STIP Earnings<sup>4</sup></b>	\$ 1,081	\$ 1,611	\$ 1,611	\$ 1,611	\$ 1,611	0%	STIP increase projection per year
<b>Excess Recoveries Due to MPERA</b>	\$ 204,211	\$ 195,375	\$ 212,721	\$ 227,508	\$ 243,084		
<b>Misc Revenue (security lending, miscellaneous receipts, investment expense)</b>	\$ 3	\$ 196	\$ 196	\$ 196	\$ 196		
<b>Total Net Revenue</b>	\$ 222,668	\$ 197,183	\$ 214,528	\$ 229,315	\$ 244,892		
<b>Administrative Expenses</b>	\$ 330,210	\$ 348,668	\$ 366,101	\$ 384,406	\$ 403,627	5%	Administrative expenses increase projection per year
<b>Capitalization Amortized Expense<sup>5</sup></b>	\$ -	\$ -	\$ 51,443	\$ 51,443	\$ 51,443		MPERAtiv Development cost amortized over 10 years
<b>MPERAtiv Administrative Expenses<sup>6</sup></b>	\$ 121,253	\$ 144,189	\$ 191,729	\$ 24,900	\$ -		Set amount based on MPERAtiv Budget
<b>Total MPERA Expenses</b>	\$ 451,463	\$ 492,857	\$ 609,273	\$ 460,749	\$ 455,069		
<b>Total Great West Expenses</b>	\$ 517,655	\$ 528,872	\$ 543,213	\$ 558,664	\$ 574,534		
<b>MPERA and Great West Expenses</b>	\$ 969,118	\$ 1,021,729	\$ 1,152,486	\$ 1,019,413	\$ 1,029,603		

<b>Beginning Fund Balance</b>	\$ 1,013,764	\$ 839,691	\$ 544,017	\$ 149,272	\$ (82,162)
<b>Prior Year Adjustment (*)</b>	\$ 54,721	\$ -	\$ -	\$ -	\$ -
<b>Net Change In Revenue over Expenses</b>	\$ (228,795)	\$ (295,674)	\$ (394,745)	\$ (231,434)	\$ (210,178)
<b>Ending Fund Balance</b>	<u>\$ 839,691</u>	<u>\$ 544,017</u>	<u>\$ 149,272</u>	<u>\$ (82,162)</u>	<u>\$ (292,340)</u>

**POLICY:**

**BOARD ADMIN POLICY 14 (With MPERA Expenses Total):**

<b>What to hold in Admin Fund = 12 months</b>	\$ 969,118	\$ 1,021,729	\$ 1,152,486	\$ 1,019,413	\$ 1,029,603
<b>What to hold in Admin Fund = 6 months</b>	\$ 484,559	\$ 510,864	\$ 576,243	\$ 509,706	\$ 514,802
<b>Excess Fund Balance</b>	\$ (129,428)	\$ (477,712)	\$ (1,003,214)	\$ (1,101,574)	\$ (1,321,943)
	\$ 355,131	\$ 33,152	\$ (426,971)	\$ (591,868)	\$ (807,141)

**Footnote:**

<sup>1</sup> 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.

<sup>2</sup> Asset Based Fees are determined on a graduated scale. Seventeen basis points is the average.

<sup>3</sup> 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.

<sup>4</sup> STIP revenue has been decreasing, due to falling interest rates, resulting in a 0% increase for future years.

<sup>5</sup> MPERAtiv reached it's Development stage in January 2013 and is expected to be finished with development in May 2016 for the first phase. During the development stage, the expenses were capitalized to be expensed on a 10 year amortization

Legend of Annual Assumptions

- Investments increase by 4%
- Participants increase by 3%
- Participant annual fee \$63.00
- Basis Point Fee Sliding Scale bps
- Revenue Sharing fees increase by 0%
- Participant Flat Rate Fee \$0
- STIP revenues 0%
- MPERA expenses 5%

			PROJECTIONS				
	FY2015	FY2016	FY2017	FY2018	FY2019		
<b>457 Total Investments</b>	\$ 435,764,436	\$ 440,521,076	\$ 458,141,919	\$ 476,467,596	\$ 495,526,300	4%	Investments increase projection per year
<b># of Participants in the 457 Plan</b>	8,738	8,994	9264	9542	9828	3%	Participants increase projection per year
<b>Great West Contract Charge per Participant<sup>1</sup></b>	\$ 550,494	\$ 566,620	\$ 583,618	\$ 601,127	\$ 619,161	\$63.00	Participants projection per year
<b>Discount for participants in two plans</b>	\$ (32,839)	\$ (37,748)	\$ (40,405)	\$ (42,463)	\$ (44,627)		
<b>457 Total Due to Great West (Expense)</b>	\$ 517,655	\$ 528,872	\$ 543,213	\$ 558,664	\$ 574,534		
<b>457 Participant Flat Rate</b>	\$ -	\$ -	\$ -	\$ -	\$ -	0	Flat Rate Fee
<b>457 Asset Based (BPS)</b>	\$ 721,867	\$ 724,247	\$ 1,193,732	\$ 1,241,481	\$ 1,291,141	40	40 bps points
	721,867	724,247	1,193,732	1,241,481	1,291,141		
<b>Excess Recoveries Due to MPERA</b>	\$ 204,211	\$ 195,375	\$ 650,519	\$ 682,818	\$ 716,607		
<b>457 Mutual Fund Allowances<sup>3</sup></b>	\$ -	\$ -	\$ -	\$ -	\$ -	0%	Revenue Sharing Fees increase projection per year
<b>457 Plan Amount Paid to MPERA</b>	\$ 204,211	\$ 195,375	\$ 650,519	\$ 682,818	\$ 716,607		
<b>Fidelity 12(b)(1) Fees</b>	\$ 17,372	\$ -	\$ -	\$ -	\$ -	0%	Fidelity Fees increase projection per year
<b>STIP Earnings<sup>4</sup></b>	\$ 1,081	\$ 1,611	\$ 1,611	\$ 1,611	\$ 1,611	0%	STIP increase projection per year
<b>Excess Recoveries Due to MPERA</b>	\$ 204,211	\$ 195,375	\$ 650,519	\$ 682,818	\$ 716,607		
<b>Misc Revenue (security lending, miscellaneous receipts, investment expense)</b>	\$ 3	\$ 196	\$ 196	\$ 196	\$ 196		
<b>Total Net Revenue</b>	\$ 222,668	\$ 197,183	\$ 652,326	\$ 684,625	\$ 718,414		
<b>Administrative Expenses</b>	\$ 330,210	\$ 348,668	\$ 366,101	\$ 384,406	\$ 403,627	5%	Administrative expenses increase projection per year
<b>Capitalization Amortized Expense<sup>5</sup></b>	\$ -	\$ -	\$ 51,443	\$ 51,443	\$ 51,443		MPERAtiv Development cost amortized over 10 years
<b>MPERAtiv Administrative Expenses<sup>6</sup></b>	\$ 121,253	\$ 144,189	\$ 191,729	\$ 24,900	\$ -		Set amount based on MPERAtiv Budget
<b>Total MPERA Expenses</b>	\$ 451,463	\$ 492,857	\$ 609,273	\$ 460,749	\$ 455,069		
<b>Total Great West Expenses</b>	\$ 517,655	\$ 528,872	\$ 543,213	\$ 558,664	\$ 574,534		
<b>MPERA and Great West Expenses</b>	\$ 969,118	\$ 1,021,729	\$ 1,152,486	\$ 1,019,413	\$ 1,029,603		

<b>Beginning Fund Balance</b>	\$ 1,013,764	\$ 839,691	\$ 544,017	\$ 587,070	\$ 810,946
<b>Prior Year Adjustment (*)</b>	\$ 54,721	\$ -	\$ -	\$ -	\$ -
<b>Net Change In Revenue over Expenses</b>	\$ (228,795)	\$ (295,674)	\$ 43,053	\$ 223,876	\$ 263,344
<b>Ending Fund Balance</b>	<u>\$ 839,691</u>	<u>\$ 544,017</u>	<u>\$ 587,070</u>	<u>\$ 810,946</u>	<u>\$ 1,074,290</u>

**POLICY:**

**BOARD ADMIN POLICY 14 (With MPERA Expenses Total):**

<b>What to hold in Admin Fund = 12 months</b>	\$ 969,118	\$ 1,021,729	\$ 1,152,486	\$ 1,019,413	\$ 1,029,603
<b>What to hold in Admin Fund = 6 months</b>	\$ 484,559	\$ 510,864	\$ 576,243	\$ 509,706	\$ 514,802
<b>Excess Fund Balance</b>	\$ (129,428)	\$ (477,712)	\$ (565,416)	\$ (208,467)	\$ 44,687
	\$ 355,131	\$ 33,152	\$ 10,827	\$ 301,239	\$ 559,488

**Footnote:**

<sup>1</sup> 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.

<sup>2</sup> Asset Based Fees are determined on a graduated scale. Seventeen basis points is the average.

<sup>3</sup> 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.

<sup>4</sup> STIP revenue has been decreasing, due to falling interest rates, resulting in a 0% increase for future years.

<sup>5</sup> MPERAtiv reached it's Development stage in January 2013 and is expected to be finished with development in May 2016 for the first phase. During the development stage, the expenses were capitalized to be expensed on a 10 year amortization

Legend of Annual Assumptions

Investments increase by 4%  
Participants increase by 3%  
Participant annual fee \$63.00  
Basis Point Fee 40 bps  
Revenue Sharing fees increase by 0%  
Participant Flat Rate Fee \$0  
STIP revenues 0%  
MPERA expenses 5%

# MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

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

POLICY NO: BOARD Admin 13 EFFECTIVE DATE: 06/11/2015

## **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.

## **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 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: 06/11/2015

## **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.

### **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