



Montana Legislative Services Division
Legal Services Office

TO: State Administration and Veterans' Affairs Interim Committee

FROM: K. Virginia Aldrich

DATE: March 16, 2020

RE: Legislative Administrative Rule Review Report

Pursuant to 5-5-228, MCA, the State Administration and Veterans' Affairs Interim Committee is responsible for reviewing administrative rules within its jurisdiction. Staff for the State Administration and Veterans' Affairs Interim Committee has prepared this report for informational purposes only. This report does not represent any action or opinion of the State Administration and Veterans' Affairs Interim Committee and does not preclude additional action that may be taken by the State Administration and Veterans' Affairs Interim Committee pursuant to its authority under the Montana Administrative Procedure Act (Title 2, chapter 4, MCA).

MAR NOTICE NUMBER: 2-43-594

AGENCY/BOARD: Public Employees' Retirement Board of the State of Montana

RULE CLASSIFICATION: (e.g. substantive/interpretive/emergency/temporary): Substantive

SUBJECT: Notice of Proposed Amendment - Investment Policy Statements for the Defined Contribution Retirement Plan and the 457(b) Deferred Compensation Plan. No Public Hearing Contemplated.

NOTICE DESCRIPTION: (e.g. proposal notice/adoption notice): Notice of Proposed Amendment

SUMMARY OF RULE(S): The Public Employees' Retirement Board (Board) proposes to amend two rules concerning the investment policy statements for the Defined Contribution Retirement Plan and the 457(b) Deferred Compensation Plan. The investment policy statements are reviewed and updated annually, and the updates are adopted by reference in rule.

The changes adopted by MPERA to both investment policy statements are substantively the same.

The changes allow the Board to review the investment policy statements "periodically" rather than annually. The changes delete the requirement that each plan maintain "at least eight wide-ranging investment alternatives" and delete language concerning fixed income alternatives. The changes delete the requirement that a fund must have an expense ratio no greater than the mean for the fund's peer group, but the changes also require that investment alternatives have competitive and reasonable fees.

The changes require that investment alternatives must "adhere to stated investment objectives and style discipline over time" and must have "sufficient investment strategy and fund assets under management." The changes update the qualitative measures of investment alternatives, and in lieu of conducting performance of plan investment alternatives on "at least an annual basis", the changes provide that the evaluations must be "reviewed periodically."

Lastly, the changes update terminology and style throughout, consolidate explanations, and make minor clarifications.

NOTES: A public hearing will not be held. The public comment period ends on March 27, 2020.

FULL TEXT OF NOTICE: The full text of the notice proposal and the amended proposal may be found online at http://www.mtrules.org/gateway/Cycle_Home.asp?CID=3059.

Cla305 0077GAFA.