



Montana Legislative Services Division
Legal Services Office

TO: State Administration and Veterans' Affairs Interim Committee

FROM: K. Virginia Aldrich

DATE: June 26, 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: 2-43-601

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 - Adoption by Reference of the State of Montana Public Employee Defined Contribution Plan Document and the State of Montana Public Employee Deferred Compensation (457) Plan Document

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 plan documents for the Defined Contribution Retirement Plan and the 457(b) Deferred Compensation Plan. The plans are reviewed and updated periodically, and the updates are adopted by reference in rule.

The following changes proposed by MPERA to both plans are substantively the same unless otherwise provided.

Recent federal law changes under the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) increased an individual's required minimum distribution age from age 70 1/2 to age 72, and the proposed changes within the plan documents update the distribution requirements throughout to reflect these changes. Specifically, the proposed changes to the plan documents require that distributions of the participant's benefit or the payment of the participant's accounts cannot begin later than April 1 of the calendar year in which the participant retires or the year in which the participant reaches age 70 1/2 if the participant was born before July 1, 1949, or age 72 if the participant was born after June 30, 1949. The changes

also provide that if a participant dies before distributions of the participant's benefit or account would have commenced, a spousal beneficiary may elect to delay the commencement of the payments until the date the participant would have attained age 70 1/2 if the participant was born before July 1, 1949, or age 72 if the participant was born after June 30, 1949.

Because of changes made in the SECURE Act, the Board also proposes to update a citation reference in the Defined Contribution Retirement Plan to ensure the definition of "compensation" includes "difficulty of care" payments. The Board notes that under federal law, these are treated as compensation for "purposes of applying IRS Code Section 415 contribution limits to defined contribution plans."

Proposed amendments to both plans propose to allow a SIMPLE IRA to qualify as a retirement plan eligible for receiving a rollover distribution, as long as the rollover contribution is made after the 2-year period beginning on the date the distributee first participated in a qualified salary reduction arrangement maintained by the distributee's employer.

NOTES: A public hearing will not be held. The public comment period ends on July 24, 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=3114.