



Montana Legislative Services Division
Legal Services Office

TO: State Administration and Veterans' Affairs Interim Committee
FROM: K. Virginia Aldrich
DATE: September 11, 2015
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: 2-43-532

AGENCY/BOARD: Public Employees' Retirement Board

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

SUBJECT: Defined Contribution Plan Default Investment Fund and Deferred Compensation Plan Investment Options

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

SUMMARY OF RULE(S): The Public Employees' Retirement Board of the State of Montana is proposing to amend two rules. The proposed amendments amend the default investment for defined contribution retirement plans from a "balanced fund" to an "age-appropriate target date fund" and direct participant assets into the default fund unless a participant directs otherwise. In addition, for deferred compensation plan participants with assets in a discontinued investment option, the proposed amendments change the default transfer of fund balances from a "balanced fund" to "an age-appropriate target date fund."

The Board notes that, as of 2008, target date funds are allowed in the list of Qualified Default Investment Alternatives under federal law. In August 2011, the Board added these types of funds to its list of available investment funds in both the defined contribution and deferred compensation plans, but until now has not updated its rules to reflect the change. The Board notes that the change "clarif[ies] that the [Qualified Default Investment Alternative] for both the DCRP and the State of Montana's Deferred Compensation (457(b)) Plan is the plan participant age-appropriate target date fund."

By statute, the Board is required to provide "for a *balanced fund* to be established as the default investment fund" for the Defined Contribution Retirement Plan (emphasis added) (19-3-2122). Staff requested further information from the Montana Public Employee Retirement Administration (MPERA) concerning whether an "age-appropriate target date fund" is a type of balanced fund. MPERA, including its investment manager, has clarified that target date funds are classified as a type of balanced fund.

NOTES: Public hearings are not contemplated. The public comment period ends on September 28, 2015.

FULL TEXT OF NOTICE: The full text of the notice proposal may be found online at <http://www.mtrules.org/gateway/ShowNoticeFile.asp?TID=6578>

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