

# MONTANA PUBLIC EMPLOYEES' RETIREMENT BOARD

TITLE: DC Plans Investment Option Overlap Policy

POLICY NO: BOARD Admin 08

EFFECTIVE DATE: 05/10/2012

## **I. POLICY AND OBJECTIVES**

- A. It is the mission of the Board as fiduciaries to administer its retirement systems and trust funds acting in the best interests of the participants and beneficiaries. The Board has the duty to ensure all investment options (including brokerage options):
1. are prudent investments;
  2. are diversified appropriately with materially different risk and return characteristics;
  3. allow participants the opportunity to exercise control; and
  4. allow participants to choose from a broad range.
- B. The Board has adopted separate and individual Investment Policy Statements for analyzing, retaining and changing investment options available within the Public Employees' Retirement System's 401(a) Defined Contribution Retirement Plan (DCRP) and the State 457 Deferred Compensation Plan (457 Plan).
- C. The Board seeks to maintain a style and size-neutral mix of funds in both the DCRP and the 457 Plan (i.e. a growth option in the plan there should be a value option; if a large cap option is offered the plan should include a small cap option). The Board may select indexed or actively-managed funds as it believes are appropriate within each plan. The total number of investment options available in each plan may not exceed 21. Permitted asset classes include:
- US Equities
  - Non-US Equities
  - Fixed Income
  - Balanced,
  - Stable Value
  - TargetDate
  - Emerging Markets

- D. It is the objective of this policy to address the duplication of investment options between the two named plans while ensuring the above responsibilities, established investment structures, and procedures for review and changing investment options are met.

## II. PROCEDURE

### A. Investment Policy Statements

The Board's adopted Investment Policy Statements (IPSs) establish the process, criteria and benchmarks for the review of all offered investment options. The IPSs are reviewed on an annual basis for necessary modifications.

### B. Investment Option Changes

In compliance with the IPSs, if any available investment option fails to meet the established criteria, benchmarks or if concerns with other indicative information arise, the investment option may be discontinued. If an investment option is discontinued, a search is conducted for a replacement investment option within the same class and category.

The replacement investment option criteria is established in the IPSs and is not materially different between the DCRP and the 457 Plan. In the event a replacement option is needed in either plan, it is reasonable that a viable replacement investment option may exist in the other plan. It is also reasonable, in the event an investment option within the same class and category is discontinued to both plans, that the replacement option be the same within both plans.

### C. Duplication of Investment Options

Investment options within the two plans may be the same or duplicated to the extent that:

1. all criteria, benchmarks and other requirements of the IPSs are met and
2. the maximum number of investment options within each plan, as set forth in Section 1C of this Policy, are not exceeded.

### D. Necessity and Efficiency

When determining if duplication of investment options is appropriate, the Board will exercise their fiduciary responsibilities by also assessing the

continued ability for participants to diversify and cost efficiencies that may either be gained or lost by the duplication.

### **III. CROSS REFERENCE GUIDE**

Board 457 deferred compensation plan investment policy statement.

Board 401a defined contribution retirement plan investment policy statement.

Board meeting minutes: October 1999, December 2001, March 2002, March 2003, March 2004, April 2004 and May 2005.

### **IV. HISTORY**

New.

Revised 04/12/2012