Defined Contribution (DC)
Administrative Fee Policy

I. Overview

This policy (the "Policy") documents the fee methodology, disclosure, and governance for each of the following five (5) Indiana Public Retirement System ("INPRS") Defined Contribution retirement plans (the "DC Plans").

- PERF
  - Public Employees' Hybrid Members Defined Contribution Account ("PERF DC")
  - My Choice: Retirement Savings Plan for Public Employees ("PERF MC")
- TRF
  - Teachers' Hybrid Members Defined Contribution Account ("TRF DC")
  - My Choice: Retirement Savings Plan for Teachers ("TRF MC")
- Legislators' Defined Contribution Fund ("LE DC")

The referenced codes are available online at the Indiana General Assembly Web site at http://www.in.gov/legislative/iac. This site includes House Enrolled Acts (HEA) and Senate Enrolled Acts (SEA). The INPRS website provides explanations of the general DC Plan administrative services, and of fees for an individual account.

A. Purpose/Rationale of the Policy

The Policy is intended to provide INPRS with direction on how administrative fees are to be calculated and allocated to the DC Plans' members. The DC Plans' members are to pay all expenses identified herein provided such payment does not violate the terms of the DC Plans or applicable law, including IC 5-10.2-2-3(c)(4), 35 IAC 1.2-1-9, and applicable IRS regulations. The Policy is designed to provide direction according to the following legal guidance:

1) Allocate costs between the INPRS Defined Benefit Plans (the "DB Plans") and the DC Plans based on the reasonable application of a reasonable allocation methodology to reflect the actual costs of maintaining the plans, and fully document the same.
2) Prepare a reasonable method by which the DC Plans reimburse the DB Plans for costs paid upfront by the DB Plans.
3) Assure the overall fee charged to DC Plan members shall be reasonable and in line with market standards.

The Policy is intended to define the fee policy components, comparable to industry standards, to be used to calculate the annual administrative fee members pay for each of the DC Plans. Furthermore, the Policy is intended to manage and control future fee volatility to the extent reasonably possible and to support public policy goals of accountability and transparency. Elements of the Policy should be clearly disclosed.

B. Applicability

This Policy affects the financial statements of INPRS. Also, this Policy applies to members who belong to the DC Plans.

C. Risk

Failure to adhere to the Policy could result in a material misstatement of the financial statements for individual plans. Compliance to the Governmental Accounting Standards Board (GASB) is required to obtain an unmodified opinion from the auditors on the financial statements. Also, failure to adhere to the Policy could result in understated or overstated fees charged to the members and could result in violation of Indiana or Federal law.

Failure to adhere to the accounting policies may result in internal control failures which will require remedial action. Consistent failure to adhere to this Policy may result in action against the employee performing the tasks.

D. Ownership

The Finance Department is responsible for the development, maintenance, and enforcement of this Policy, as approved by the INPRS Board of Trustees (the “Board”).

II. Definitions

Table 1 provides a list of terms and conditions used in conjunction with this Policy.

Table 1 – Policy Term Definitions

Term	Definition
Forfeitures	In the PERF MC and TRF MC, vesting occurs in increasing percentages over 5 years. Therefore, contributions from year 1 are not fully vested until year 5. If an employee terminates employment prior to 5 years, the money in the member’s account that is subject to the vesting schedule is not fully vested and may be forfeited – that money is herein referred to as “Forfeitures”. In PERF DC, TRF DC, and LE DC all contributions are always 100% vested.
GASB	The Governmental Accounting Standards Board -- a standard setting body for accounting and financial reporting principles for governmental entities.

LTEROR	The long term expected rate of return for the DB Plans' overall investments. The LTEROR is expected to be 6.75%.
Recordkeeper	The organization that maintains accounts for each member, records contributions, directs investment choices made by the member, posts investment results, and keeps a running balance.
VOYA	The recordkeeper for defined contribution plans.

III. Policy

A. Determination of the DC Plans' Expenses used to calculate the DC Plans' Administrative Fees

1. Recordkeeper fee: The recordkeeper fee is a flat fee charged by Voya to INPRS for every member with an account balance. If a member has multiple accounts, there is only one charge per member. The flat fee Voya charges INPRS will not change during the contract period or the expected two year extension.
2. Ongoing INPRS DC Plans' administrative expenses: INPRS exclusive DB Plans and exclusive DC Plans expenses were tracked, and INPRS staff estimated the amount of time spent on ongoing administration of the DB plans verses the DC Plans and allocated such expense accordingly. The applicable expenses consist of INPRS staff salaries and benefits as well as expenses that are not material and not easily attributable directly to the DB Plans or the DC Plans. From this study, INPRS has identified a DB Plans/DC Plans administrative expense split that will be used in future years. This methodology will be reviewed and, if needed, adjusted annually for discrepancies. INPRS believes the administrative expense split was determined based on the reasonable application of a reasonable methodology.
3. INPRS External vendor transition expenses: The transition costs from the previous vendor to Voya will be amortized over the life of the Voya contract and expected extension (through December 30, 2024).
4. The DB Plans paid some of the DC Plans recordkeeper transition expenses when the plans changed recordkeepers to Voya. The amount "Due to" the DB Plans from the DC Plans, reflecting the DC Plans' share of the transition expenses will accrue interest at the LTEROR, which is currently 6.75%. Such expenses are scheduled to be paid off by 2022-2024.
5. As available, forfeitures will be used to fund administrative expenses in PERF MC and TRF MC. Annually, forfeitures will be analyzed for excess funds (above one year's administrative fees) and with approval, funds may be contributed to active members in the plan.

B. Review and Approval of DC Plans Administration Fees

1. The Board will review and approve the DC Plans administrative fees each year prior to the beginning of the calendar year.

2. Any changes will be implemented with a January 1st effective date.
3. The intent is to ensure that INPRS's DC Plans administrative fees are reasonable and in line with market standards.
4. The intent is to minimize volatility and only change these fees every five (5) years or more if possible.
5. The intent is to expense and collect the same fees for each DC member if possible.
6. The Board will also review and approve any PERF MC forfeiture distributions to members. The intent is to allocate these funds to members annually if needed.
7. INPRS will evaluate the fees calculated in accordance with Section III.A., benchmark such fees against other public defined contribution plans, and determine such fees to be reasonable prior to authorizing such fees.

C. Record Keeper Collection of Member Fee

For PERF DC, TRF DC, TRF MC and LE DC (all but PERF MC) a monthly administrative fee (annual fee divided by 12 months) will be charged by the recordkeeper for any member with a DC Plan balance. INPRS will communicate any changes to the administrative fee to Voya sixty (60) days prior to the first of the calendar year (by November 1st).

The monthly fees are assessed and collected from members' accounts by Voya at the end of each month. The funds are remitted to an account outside of the recordkeeper assets and transferred to INPRS. The funds are used to pay for the DC Plans' expenses (detailed in A). PERF MC currently has funds from forfeitures that are used to pay for DC Plan expenses.

D. Paying the DC Plan Bills

The Public Employees' Defined Benefit Account (the "PERF DB") plan will fund expenses. Monthly, an allocation of expenses is prepared, and liability is recorded via an interfund asset / liability. Each month, Finance will direct the transfer of funds from the DC Plan's designated cash account to the PERF DB plan to cover the expenses.

The PERF DB established a receivable to cover recordkeeper transition costs for the DC Plans. Also, if the DC Plans experience a cash shortfall, the PERF DB will increase the receivable from the DC Plans. As funds become available to the DC Plans, the DC Plans will reimburse the PERF DB plus interest on the unpaid balance at an interest rate equal to the LTEROR.

IV. Responsibilities

A. Employee Responsibilities

INPRS employees are responsible for complying with the Policy.

B. Supervisor Responsibilities

INPRS supervisors are responsible for enforcing employees to comply with the policy.

C. Employer Responsibilities

As an employer, INPRS is responsible for prudently managing assets of the public pension retirement system, complying with federal, state, and other statutory regulations and governing with acceptable business practices.

V. Policy Approval

The Board reviews and approves the Policy for comparability to industry standards and competitiveness with peer benchmarks.