

MEMO# 30754

June 22, 2017

Texas Teacher Retirement System Proposes Changes to 403(b) Vendor and Product Rules

[30754]

June 22, 2017 TO: Pension Committee

Pension Operations Advisory Committee RE: Texas Teacher Retirement System Proposes
Changes to 403(b) Vendor and Product Rules

The Texas Teacher Retirement System (TRS) has proposed amendments to its administrative rules for 403(b) vendor certification and product registration.[\[1\]](#) The proposed amendments would, among other things:

- prohibit registration of a product with a front or back-end sales load after April 1, 2018;
- adjust the allowable asset-based fee for products other than fixed annuities, as indicated in the following table, effective April 1, 2018:

Asset Class Maximum Annual

Product Administration Fee Maximum Annual

Expense Ratio Maximum Annual

Asset Class	Asset-Based Fee	Money Market	1.25%	0.15%	1.40%	Diversified Bond	1.25%	0.50%	1.75%
Balanced	1.25%	0.50%	1.75%	Large Cap U.S. Equity	1.25%	0.50%	1.75%	Small/Mid Cap U.S. Equity	1.25%
International Equity	1.25%	0.70%	1.95%	Global Equity	1.25%	0.80%	2.05%		

- add restrictions on surrender or withdrawal charges and reduce otherwise allowable surrender or withdrawal charges for newly registered fixed annuities;
- reduce the permissible loan initiation fee from \$50 to \$25 and prohibit loan maintenance fees;
- require disclosure to TRS of certain enumerated customer service offerings by non-annuity companies seeking certification or re-certification (although certification would not be conditioned on offering the listed services); and
- increase the product registration fee from \$3,000 to \$7,000 (per 5-year registration period).

The proposed amendments would appear to significantly limit the products qualifying for

registration with the TRS. Written comments on the proposed changes are due to TRS by July 17, 2017. In addition to accepting written comments, the TRS will hold an informal conference to gather input from interested persons on June 28, 2017.^[2]

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endnotes

[1] More information about the proposed amendments and comment process is available here: https://www.trs.texas.gov/Pages/403b_informal_rulemaking_conference.aspx.

[2] More information about the informal conference is available here: https://www.trs.texas.gov/TRS%20Documents/403b_notice_informal_rulemaking_conference.pdf.

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