



July 1, 1991
Room 10 State Office Building

12th Meeting

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

The Actuarial Services Subcommittee had a brief meeting prior to the LCPR meeting regarding their recommendation of the actuarial firm to be retained by the Commission.

Senator Waldorf called the Subcommittee meeting to order at 5:05 P.M. The following members were present:

Senators Steven Morse and Gene Waldorf and Representatives Bob Johnson, Gerald Knickerbocker, and Leo Reding.

Senator Waldorf asked Lawrence A. Martin, Executive Director of the Commission, to review the information provided in the Subcommittee members' packets.

Sen. Waldorf suggested using a point system to rate each of the four actuarial firms that had previously made presentations to the Subcommittee. He explained the process by stating that each subcommittee member should rate each of the four actuarial firms with four being the highest rating and one being the lowest rating. The secretary would then tally the points and eliminate the firm with the lowest rating. The process would be repeated until only one firm remained.

This process was repeated three times and concluded with Milliman and Robertson receiving the highest rating.

Rep. Johnson moved to recommend Milliman and Robertson as the Commission actuary to the full Commission. **MOTION PREVAILED.**

The meeting adjourned at 5:30 P.M.

Representative Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 7:10 P.M.

Commission members present:

Representatives Richard Jefferson, Bob Johnson, Gerald Knickerbocker, and Leo Reding
Senators Steven Morse, Lawrence Pogemiller, Earl Renneke, and Gene Waldorf

Rep. Reding asked Sen. Waldorf to review the recommendation by the Actuarial Services Subcommittee to retain Milliman & Robertson as the Commission actuary.

Sen. Waldorf moved that Milliman and Robertson be ratified as the Commission actuary and that the executive committee be authorized to negotiate the contract for actuarial services with Milliman and Robertson.

Sen. Pogemiller asked questions about Milliman and Robertson regarding their contact person, their location, LCPR meeting attendance, and price differential between Milliman and Robertson and the other actuarial firms. Sen. Waldorf responded that Mr. Thomas Custis is the contact person, the firm has a Minneapolis office but Mr. Custis is in the Milwaukee office, he will attend LCPR meetings as requested, and the range of costs went from \$282,000 for Milliman & Robertson to \$388,000 for The Wyatt Company. Sen. Pogemiller asked what was the status of actuarial services required by the Commission and would the Commission now need to rely on the pension funds to supply part of the services the Commission actuary previously provided. Sen. Waldorf responded that the bill passed to reduce the level of services required by the Commission (the range of costs noted above were for the reduced level of services) and the Commission actuary will continue to provide actuarial valuations for the LCPR. He also noted that as part of that bill, the method of

allocating the costs of the actuarial valuations to the funds was changed so that the funds will pay 72% of the cost of actuarial valuations and the LCPR will pay 28%.

Sen. Renneke questioned whether the contract would contain a cost escalator and whether the cost for Milliman and Robertson to attend LCPR meetings would be higher due to their location. Mr. Martin responded that the two year contract would not contain a cost escalator and that meeting attendance was based on an agreed upon hourly rate. Sen. Renneke questioned whether the funds would continue to have their own actuary. Mr. Martin responded that he anticipated that the funds would continue to maintain their own actuary.

Sen. Pogemiller questioned how accessible a non-local actuary would be and requested that the executive committee negotiate language requiring accessibility for individual members of the Commission to the actuary on an informal basis. Sen. Morse agreed with Sen. Pogemiller's concerns. Discussion followed.

Rep. Reding called for the vote on Sen. Waldorf's motion to ratify Milliman and Robertson as the Commission actuary and to have the executive committee negotiate the contract with them. **MOTION PREVAILED.**

Sen. Morse requested that a letter of appreciation be sent to The Wyatt Company for their six years of service.

Rep. Reding asked Rep. Bob Johnson to introduce and review the deferred compensation issue. Rep. Johnson stated in his review that this would be the first of several meetings on deferred compensation since the subject was an involved one. He further noted that the House and Senate insurance committees were also studying this issue as it pertains to the solvency of some of the insurance carriers offering deferred compensation plans.

The following people testified on this issue.

Paul Groschen, MSRS Executive Director, gave a presentation on deferred compensation. He noted that he is the administrator of the deferred compensation plan and referred members to the handouts he had provided, Report on Minnesota Deferred Compensation Plans and the Administrative Agreement. Mr. Groschen reviewed the history of the Deferred Compensation Plan. Discussion followed.

William Bye and James Bye, National Benefits Inc., stated that they were appearing at the request of Mr. Groschen to make a presentation in response to questions the Commission staff asked to have addressed at this meeting. Mr. William Bye referred members to the handout that National Benefits Inc. provided and reviewed the first three items in the handout. Mr. James Bye reviewed the other five items in the handout. Discussion followed.

Morgan Fleming, representative of Minnesota Mutual and Northwestern National Life Insurance, spoke on behalf of the insurance companies and introduced William Ochs.

William Ochs, President of Ochs Services, provided members with two handouts, the first was the Ochs Services enrollment kit, the second was a blue binder with questions and answers in response to a memo from Commission staff. Discussion followed.

Howard Bicker, Executive Director of the State Board of Investment, made a brief presentation to members. Mr. Bicker stated that the SBI's responsibility for the Deferred Compensation Program is to the vendors not the marketers. SBI reviews the vendors and he noted the vendors have a very low volume of junk bonds. He further noted that members have 20 options to choose from for their deferred comp program. He recommended that members review and clarify the issue of the portability of past contributions. Discussion followed.

Edward Blanck, Executive Secretary of the Duluth Teachers Retirement Fund Association, provided handouts to members and reviewed the information. He noted that DTRFA has had a 403(b) tax deferred plan since 1964. Discussion followed.

The meeting adjourned at 9:30 P.M.


Jean Liebgoft, Secretary