

August 21, 1990
Room 112 Capitol

2nd Subcommittee Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

ACTUARIAL SERVICES SUBCOMMITTEE

MINUTES

Senator Steven Morse, Chair of the Actuarial Services Subcommittee, called the meeting to order at 1:20 P.M.

Subcommittee members present:

Senators Steven Morse, Earl Renneke and Gene Waldorf
Representatives Gerald Knickerbocker and Leo Reding
(Representative Robert A. Johnson was absent due to illness)

Senator Morse began the meeting by stating that it was clear from the previous Subcommittee meeting that it was necessary to extend an interim actuarial contract, since approximately 60,000 retirees would be looking for a pension increase at the first of the year. He further noted that the contract would extend to June 30, 1991.

Rep. Knickerbocker asked if the procedure would be to have the Subcommittee make a recommendation on the contract for full Commission approval. Sen. Morse responded that the Subcommittee would make its recommendation to the Executive Committee of the Commission for execution of the contract.

Sen. Morse then requested Lawrence A. Martin, Executive Director of the LCP&R, review the draft proposed interim actuarial services contract included in members' packets. Mr. Martin referred members to the six major changes in the draft proposal as noted in the memo dated August 15, 1990. Mr. Martin continued with a section by section review of the draft contract drawing attention to stricken and underscored language. Discussion followed.

Sen. Morse provided members with a copy of two amendments he had drafted regarding conflict of interest. Sen. Morse reviewed the first amendment which requires Commission notification of any request to the Commission actuary and further provides for possible approval of the request by the Executive Committee of the Commission if an objection to the request is made by a Commission member within ten days of receipt of the notice.

Judy Strobel, Planning Director of PERA, asked for an explanation of the new language on page two regarding data. Mr. Martin responded that it was his understanding that this new language reflected current practice regarding data received from the pension plans. Ms. Strobel asked if this was also the case with the new language regarding consolidating relief associations. Mr. Martin responded that this new language also reflected current practice. Ms. Strobel further asked if it was necessary to extend the contract to June 30, 1991, if it was necessary to replace the current conflict of interest language, and how compensation would be determined. Sen. Morse responded that due to the length of the next Legislative Session and the time required for RFP's, it was necessary to extend the contract to June 30, 1991. He continued his response by stating that the actuarial fees would be negotiated by the Executive Committee of the Commission. Ms. Strobel stated that the fees should be negotiated by the Commission rather than the Executive Committee.

Eugene Waschbusch, Executive Secretary StPTRFA, stated that the new language on page five regarding a 30 day deadline may be difficult for the pension funds to comply with if the data collection method is changed. Mr. Martin responded that the 30 day deadline language did not impose a deadline on the pension funds, but that it requires the Commission actuary to notify the Commission if the actuary has not received the necessary data in a timely fashion to complete the actuarial valuations. Discussion followed.

Sen. Morse questioned Robert Perkins, The Wyatt Company, regarding the 1991 fiscal year fees the actuarial firm was proposing. Mr. Perkins responded by stating that the escalator used in past increase calculations is 4.5% for the 1991 fiscal year. Mr. Perkins went on to roughly estimate the possible actuarial fees based on the services required by the draft contract. Discussion followed, with a majority of the members present expressing a desire to establish new fees at less than a 4.5% increase.

Rep. Knickerbocker moved to recommend the draft proposed interim actuarial services contract and amendment number one to the Executive Committee of the Commission for execution, to recommend that The Wyatt Company be retained as the Commission actuary under the interim contract, and to request that the Executive Committee negotiate the actuarial fees with The Wyatt Company. **MOTION PREVAILED.**

Rep. Knickerbocker asked if other relief associations were being impacted in consolidation efforts due to the absence of a Commission actuary. Mr. Martin responded that the St. Louis Park Police Relief Association, as well as the Faribault Fire Department Relief Association, had requested actuarial work preliminary to consolidation.

The meeting adjourned at 2:45 P.M.