



June 19, 1991
Room 10 State Office Building

7th Meeting

ACTUARIAL SERVICES SUBCOMMITTEE

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Gene Waldorf, Chair of the Actuarial Services Subcommittee, called the meeting to order at 3:00 P.M.

Subcommittee members present:

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

Presentations to Subcommittee by Actuarial Finalists.

Sen. Waldorf advised the audience that the Subcommittee had agreed not to make the decision on the actuarial finalist today but would make that decision at a future meeting. Sen. Waldorf also advised that the Subcommittee would be asking a number of general questions of all the actuarial firms and requested that any firms present leave the room while another firm was presenting to prevent any firm from having an unfair advantage.

Ernst and Young gave the first presentation to the Subcommittee. The people involved in the presentation were Ed Finn, Managing Partner in Minnesota; Peter Keller, Coordinating Partner and an Enrolled Actuary who would be the Commission's primary contact; John Bartz, Senior Advisory Partner; Duane Hanf, Senior Manager and an FSA; and George Ludwig, Senior Manager. Mr. Finn provided background on Ernst and Young and introduced Mr. Keller, who reviewed the first part of the handout provided by Ernst and Young. Mr. Hanf reviewed the next part of the handout. Mr. Ludwig reviewed the responsiveness and experience part of the handout. Mr. Bartz reviewed the last part of the handout. General and specific questions by Subcommittee members followed the presentation. One of the responses was that the actuarial valuations would be performed in Chicago but cost estimates would probably be performed in Minneapolis with review in Chicago. With regard to a question about hourly charges for "peak" and "off-peak" times, the response was that they would commit to charge the Commission a flat hourly rate.

Milliman & Robertson gave the second presentation to the Subcommittee. The people involved in the presentation and the people that would be assigned to the Commission were Tom Custis, an FSA and a principal in the Milwaukee office of M & R and in charge of the retirement plans consulting unit in that office; Bill Hogan, an FSA and a consultant in the Milwaukee office; and Lance Burma, an FSA and a consultant in the Minneapolis office. Mr. Custis reviewed the handout provided by Milliman and Robertson and noted that M & R has extensive public pension plan experience. He also noted that M & R subscribes to the L.E.A.F theory in which L. stands for the longterm nature of the commitment to fund public retirement plans; E. stands for equity to taxpayers, plan members, and among generations; A. stands for avoiding surprises by anticipating problems and not waiting for a crisis; F. stands for follow-through and making the small changes rather than making large shifts. General and specific questions by Subcommittee members followed the presentation. In response to a question about their bid being low and whether they were comfortable with the bid, Mr. Custis stated that they can achieve economy by loading data from magnetic tape onto a mainframe computer and then create smaller data files capable of being manipulated on a PC. He also stated that M & R uses fewer layers of personnel, those that actually do the production work and the lead actuary.

The Wyatt Company gave the third presentation to the Subcommittee. The people involved in the presentation were Robert Perkins, FSA; Pete Miller, broad based consultant located in Minneapolis; Norm Wausk, national senior consultant; and Mike Gunvalson, FSA. Mr. Miller began the review of the handout provided by The Wyatt Company. His portion of the

presentation provided background information about The Wyatt Company worldwide and the Minnesota contingent. Mr. Wausk continued the presentation and reviewed the way employees of The Wyatt Company interact with each other on a national basis to monitor trends in the public pension sector. Mr. Perkins concluded the presentation and reviewed the history of The Wyatt Company with the Commission. He noted that The Wyatt Company helped set up the Standards for Actuarial Work and a uniform valuation format. General and specific questions by Subcommittee members followed the presentation. In response to a question regarding whether the Commission is buying more than they need, Mr. Perkins stated that the Commission is buying The Wyatt Company's experience and resources.

Deloitte and Touche gave the fourth presentation to the Subcommittee. The people involved in the presentation and the people that would be assigned to the Commission were Jay Lingo, an FSA and Engagement Principal; Judy Stromback, an FSA and Engagement Manager; and James Verlautz, an FSA and in charge of professional standards review. Mr. Lingo began the presentation and provided background information on Deloitte and Touche. Mr. Lingo stated that Deloitte and Touche would split up the valuation responsibilities between teams located in Minneapolis. Mr. Verlautz continued with the presentation and provided insight into Deloitte and Touche's knowledge and experience. He noted that they are currently the actuary for MSRS and that several years ago when the Rule of 85 issue came up and the Commission received conflicting cost estimates, Deloitte and Touche's cost estimate was determined to be the most accurate. General and specific questions by Subcommittee members followed the presentation. Rep. Johnson and Sen. Waldorf questioned whether there would be any conflict of interest due to Deloitte and Touche's relationship with MSRS and other Minnesota public entities. Mr. Lingo responded that he did not believe there would be any conflict of interest since the methodology they used for benefit cost estimates would provide the same numbers for the Commission and for MSRS. In response to a question about the hourly fee structure for special projects, Mr. Verlautz stated that they could provide composite hourly fees yet that evening.

The meeting adjourned at 7:00 P.M.


Jean Liebgott, Secretary