

12/21/92
#4

In the Matter of the Proposed
Repeal of the Minnesota Rules,
Part 7900.1500, Prohibiting Mailing
of Annuity Checks to Foreign Countries

STATEMENT OF NEED
AND REASONABLENESS

The Minnesota State Retirement System (MSRS) is proposing to repeal Minnesota Rules, part 7900.1500 which prevents mailing of monthly annuity checks to persons living in foreign countries. This change was requested by several beneficiaries living in foreign countries who are having difficulty receiving monthly payments from MSRS.

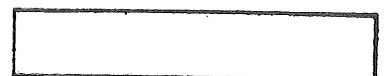
Currently, 12 MSRS benefit recipients live outside of the United States. Since we are unable to mail their checks directly to foreign countries, these individuals are required to set up an account in the United States and then transfer the money from their U.S. account to their foreign account. This additional step not only delays payment, but also requires beneficiaries to establish at least two accounts and pay all fees associated with each account. The current practice places undue hardship on individuals living outside of the United States.

Minnesota Rules, part 7900.1500 prohibiting payment of checks to foreign countries was adopted prior to 1980. Since that time, international banking and mailing regulations have made the prohibition outdated. We have moved into a global economy. It is no longer necessary to limit the mailing of monthly benefit checks to the United States.

Other statewide retirement systems mail checks to foreign countries. The Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) have routinely mailed checks to beneficiaries residing outside of the United States. Neither of the two systems have experienced problems with this practice. In addition, MSRS already has the authority to mail lump-sum payments, which at times can be quite large, to foreign countries.

Internal procedures will be in place to make sure checks are not mailed to countries where mail delivery or banking procedures are not safe. For example, checks will not be mailed to countries at war or mired in extreme political strife. Checks will not be mailed if there is any reasonable doubt the checks will be delivered or will be properly negotiated. In fact, the majority of the checks mailed outside of the U.S. will be mailed to Canada.

As a further control, we will require beneficiaries living in foreign countries to acknowledge receipt of payments at least twice a year. If acknowledgement is not received, payments will



be suspended. Benefit recipients living in the United States are required to acknowledge receipt of payment once a year. With the proper control, there is no need to prohibit payment to benefit recipients living in foreign countries. In fact, there is little difference between mailing a check to a foreign country and to another state. By repealing the existing Minnesota Rules, part 7900.1500 we will be able to afford the persons in foreign countries the same level of service as those living in the United States.