



April 3, 1991  
400 South State Office Building

4th 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 12:15 P.M.

Subcommittee members present:

Representatives Bob Johnson and Gerald Knickerbocker  
Senators Steven Morse and Gene Waldorf

**Further Consideration of the Provision of Actuarial Services Issue.**

Sen. Waldorf introduced and reviewed his handwritten suggested allocation of annual actuarial valuation fees. He stated that the 1989 budget for the actuarial contract with The Wyatt Company showed basically three items to be billed back to the pension funds for allocation. The items were the experience studies at \$33,000, the consolidation account valuations at \$24,000, and the remaining valuations at \$255,000. Sen. Waldorf's proposal was to allocate the costs of those three items differently. He assumed an actuarial valuation cost of \$200,000, experience studies at \$20,000 and consolidation accounts at \$30,000, taking into consideration that the consolidation accounts are increasing and the Commission may have to come up with a formula for them at some point. He proposed billing \$180,000 based on a new formula back to the pension funds with the Commission paying the difference between the contract amount and the \$180,000. The formula to allocate costs would be as follows:

1. Basic Fee of \$2,650 per fund
2. \$500 for each additional plan in the fund
3. First 2,000 members at \$2.55 per member
4. 2,000 - 10,000 members at \$1.13 per member
5. Fee for more than 10,000 members would be \$.11 per member

Sen. Waldorf stated that this allocation change would reduce the cost to the pension funds closer to the \$25,000 they previously agreed would be acceptable and continue the Commission's oversight ability. He asked for comments from the members and fund directors.

Rep. Reding and Sen. Morse questioned the number and frequency of experience studies. Sen. Waldorf responded that only the three major funds, MSRS, PERA, and TRA, would have annual experience studies performed, the other funds would have experience studies performed on an ad hoc basis. Lawrence A. Martin, LCPR Executive Director, responded that the actuary could calculate the gain and loss items annually and, over a period of years if a pattern of salary losses or mortality gains developed, an experience study could be performed.

Laurie Hacking, PERA Executive Director, asked for clarification of the charge for additional funds. Sen. Waldorf responded with the example that PERA would pay \$2,650 for PERA General, and \$500 for PERA-P&F.

Paul Groschen, MSRS Executive Director, questioned when and how the RFP process would work. Mr. Martin responded that the procedure would be similar to the procedure used in 1984. Discussion followed.

Rep. Johnson stated that he supported Sen. Waldorf's proposal concept.

Sen. Morse also supported Sen. Waldorf's proposal conceptually.

Rep. Reding stated that he was pleased with the subcommittee's progress on this issue and expressed support for a three year contract with an actuary.

James Hacking, MERF Executive Director, questioned the difference in costs for the actuary and wondered if the difference was due to reducing the level of services required of the Commission actuary. Sen. Waldorf responded that the difference was due to reductions with regard to the number of experience studies, less formality in some of the reporting requirements and a reduction in the actuary's duties. Discussion followed.

Ms. Hacking questioned why part of the proposal included annual experience studies for the three statewide plans. Sen. Waldorf responded that the experience study report would be quadrennial but there would be annual computations.

Gene Waschbusch, StPTRFA Executive Secretary, questioned whether the first class city teacher plans would be paying for the three statewide plans experience studies. The response was that they would not.

Rep. Johnson questioned where the language regarding experience studies appeared in the information the members had. Mr. Martin referred members to LCPR92-137, page 2, lines 31-33. Discussion followed.

The meeting adjourned at 1:20 P.M.



Jean Liebgott  
Jean Liebgott, Secretary