

February 24, 1993
Room 318
Capitol

4th Meeting



LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Phil Riveness, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 2:20 PM.

Commission members present:

Representatives Mindy Greiling, Bob Johnson, Phyllis Kahn, Gerald Knickerbocker, and Leo Reding
Senators Steven Morse, Lawrence Pogemiller, Phil Riveness, LeRoy Stumpf, and Roy Terwilliger

Approval of the Minutes of the February 10, 1993 Commission meeting.

Rep. Knickerbocker moved approval of the minutes. **MOTION PREVAILED.**

S.F. 409 (Pogemiller); H.F. 441 (Kahn): MERF; Administrative Provisions.

Edward Burek, LCPR Deputy Executive Director, reviewed the staff memo briefly describing sections 1 through 5 and noted that section 1 would remove MERF's authority to manage investments internally. Mr. Burek completed his review by referring to the three staff amendments to this bill.

James Hacking, MERF Director, provided members with an amendment, H441A1, and stated that this amendment would allow the MERF Board to continue to manage certain investments, primarily real estate investments, that would not be easily traded on any established securities exchange. Discussion followed.

Rep. Kahn moved adoption of amendment H441A1. **MOTION PREVAILED.**

Mr. Burek reviewed staff amendment LCPR93-22 and stated that since the MERF Board and staff would continue to handle certain investments this amendment would require them to be held to the prudent person standard and would also hold any external investment managers to the prudent expert standard.

Sen. Terwilliger moved adoption of amendment LCPR93-22. **MOTION PREVAILED.**

Mr. Burek reviewed staff amendment LCPR93-23. This amendment would remove the word "retiree" from existing MERF statutes that deal with permitting purchases of prior service. The amendment also adds the LCPR standard more specific language requiring full actuarial value and does not permit a person to obtain service credit from two funds for the same service if the person has already received credit for the service from one of the funds.

James Hacking, MERF Executive Director, spoke in support of this amendment but also noted that eliminating the words "or retired employee" would remove a vested right of a retiree and may result in a lawsuit. Discussion followed.

Rep. Knickerbocker moved to delete the words "or retired" from page 2, line 30, of S.F. 409; H.F. 441. **MOTION PREVAILED.**

Rep. Johnson moved adoption of amendment LCPR93-23. **MOTION PREVAILED.**

Mr. Burek reviewed staff amendment LCPR93-24. He noted that this amendment clarifies that a person will not be permitted to receive double service credit. The language in current statutes does not specify that an individual may not buy service credit if they have already received credit for that service period. Discussion followed.

Rep. Kahn moved adoption of amendment LCPR93-24. **MOTION PREVAILED.**

Rep. Kahn moved approval of S.F. 409; H.F. 441 as amended. **MOTION PREVAILED.**

S.F. 376 (Metzen); H.F. 378 (Reding): State Board of Investment; Administrative Provisions.

Rep. Reding requested that Howard Bicker, Executive Director of the State Board of Investment, review the bill. Mr. Bicker stated that this is the SBI administrative bill. He stated that the bill would exempt the Investment Advisory Council from the sunset provision and would permit the SBI to establish non-pension related asset pools for investment of non-pension assets. Mr. Bicker continued with his review.

Rep. Kahn questioned how many consultants SBI has. Mr. Bicker responded that SBI has one general consultant, Richards and Tierney of Chicago. Richards and Tierney works with the SBI on a number of investment activities such as stocks, bonds, asset allocations, and general performance reviews. SBI has another consultant that helps specifically with international investment activities. Rep. Kahn questioned how the consultants are paid. Mr. Bicker responded that currently the consultants are paid by billing back the funds that benefit from their services. Rep. Kahn questioned how the external managers are paid. Mr. Bicker responded that the external money managers fees are paid from the assets they invest. He further stated that 50% of SBI's assets are invested by external managers and that SBI has approximately 25 venture capital managers, 9 external equity managers and 6 external fixed managers. Rep. Kahn asked if this information was available for further review. Mr. Bicker stated that this kind of information is available in the SBI Annual Report.

Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo on S.F. 376; H.F. 378 which provided background on the SBI and discussion of the issues raised by the bill. Discussion followed. One of the issues discussed pertained to the SBI hiring a consultant to periodically review external investment opportunities for the state Deferred Compensation Program and the method for charging the consultant fees back to the companies selected to provide the investments for the program.

Rep. Johnson moved to amend S.F. 376; H.F. 378, page 8, line 18, after the period by adding "The periodic review must occur at least every two years." **MOTION PREVAILED.**

Mr. Martin noted that the bill does not contain an effective date.

Rep. Kahn moved to amend S.F. 376; H.F. 378 by adding the following: "[Effective Date.] Sections 1 to 13 are effective on the day following final enactment." **MOTION PREVAILED.**

Rep. Greiling moved to amend S.F. 376; H.F. 378 by a handwritten amendment restricting non-retirement assets from being commingled with retirement assets. **MOTION PREVAILED.**

Rep. Reding moved S.F. 376; H.F. 378 as amended. **MOTION PREVAILED.**

Sen. Riveness advised members that he planned to hear the revisions to the ambulance service plan bill at the next meeting.

The meeting adjourned at 3:35 P.M.


Jean Lieb Gott, Secretary