



June 8, 1993
Room 112 Capitol

12th 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 2:15 PM.

Commission members present:

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

Consideration of One Year Extension of Actuarial Services Contract With Milliman & Robertson

Lawrence A. Martin, LCPR Executive Director, briefly reviewed the one year extension. Members questioned the cost of the one year contract. Mr. Martin responded that he believed the cost would be less than the previous year's cost.

Rep. Johnson referred members to No. 4 in the staff memo on the contract extension and questioned the procedure for distribution of actuarial cost estimates during the session. Mr. Martin stated that when Commission staff receives actuarial cost estimates they are provided to members with a cover letter and if they are publicly distributed, they are available to anyone who requests them. Rep. Johnson recommended that the LCPR Executive Committee meet during the interim to discuss a Commission policy on dissemination of cost estimates during the Legislative Session.

Rep. Kahn recommended that Sen. Riveness send a letter to all members of the Legislature stating that pension bills would be given pre-hearings in January and February and that there would be few hearings on pension bills during the session.

Rep. Knickerbocker moved approval of the one year extension of the contract with Milliman & Robertson, Inc. **MOTION PREVAILED.**

Review of 1988-1992 Quadrennial Experience Studies of MSRS-General, PERA, and TRA

Mr. Martin briefly reviewed the topic of the experience studies and introduced Mr. Thomas Custis from Milliman & Robertson.

Mr. Custis began the presentation on the quadrennial experience studies. He stated that actuarial assumptions have no impact on pension plan costs. The actuarial assumptions enable pension plans to maintain an appropriate funding level over a long period of time to meet the actual cost of the plan. Mr. Custis referred members to the handout provided and stated that Milliman & Robertson recommends major restructuring of the salary and payroll growth assumptions. Sen. Riveness questioned whether information in the experience studies would indicate how these assumptions have increased or decreased the unfunded actuarial liability of the plans. Mr. Custis responded that they did not specifically indicate that information by fund. He continued with his presentation. Discussion followed. Mr. Custis recommended that some assumptions be changed, that they be changed as a package, and that the changes be made this fall so that they can be incorporated into the 1993 valuations.

Discussion of Potential Commission Interim Projects

Mr. Martin stated that the Commission has two mandated studies and 21 other potential topics for interim study. He suggested that the Commission may be able to study eight to ten of the other topics during the interim as well as the mandated studies. Sen. Riveness suggested that Commission staff prepare a survey for members to enable them to prioritize the 21 other topics for interim study and he particularly would like staff to begin work on No. F2 in the staff memo dealing with investment performance.

Interim Project: Consideration of Regulatory and Other Pension Policy Issues In Connection With Deferred Compensation and Defined Contribution Plans.

Rep. Johnson provided background information on this issue and suggested that the Commission annually review the Minnesota Deferred Compensation program since, as of several years ago, 31,000 state employees were participating in this program and he estimates that number to be up to 40,000 at this time.

David Bergstrom, MSRS Executive Director, began his presentation by stating that MSRS and the MSRS board have jurisdiction to administer the Deferred Compensation Plan. He stated that the state Deferred Compensation Plan is a 457 plan and he referred members to the handout provided which compared the 457, 403(b) and 401(k) plans. Mr. Bergstrom continued with his presentation and reviewed possible changes to the Deferred Compensation Plan. He concluded by stating that MSRS had hired a consultant and that the consultant's report on the Deferred Compensation Plan should be completed in August. He also stated that he would share the report with the Commission when this issue comes up again.

Howard Bicker, SBI Executive Director, testified that the State Board of Investment has responsibility for the investment of some deferred compensation funds and for the retention and annual reviews of the insurance companies that offer additional investment products to deferred compensation members. Upon completion of the MSRS consultant's report and adoption by the MSRS Board, the SBI will rebid the deferred compensation contract which has not been bid since 1978. Mr. Bicker concluded by stating that SBI does not have any responsibility for the administration or marketing of the Deferred Compensation Plan. Discussion followed.

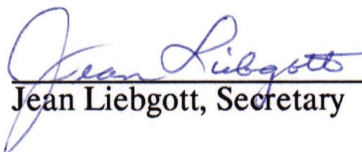
Robert Renner, Variable Annuity Life Company, provided a handout to the Commission and began his presentation by reviewing past legislative action regarding the use of 403(b) and 457 plans by Minnesota public pension plans. He continued with his presentation and discussion followed.

James M. Bye, National Benefits Inc., began his presentation by reviewing the information in the handout he had provided. His presentation centered on the responsibility of National Benefits Inc. with regard to the Deferred Compensation Plan, the demographics of members of the plan and usage of the plan. Discussion followed.

Thomas Rugh, TIAA-CREF, stated that TIAA-CREF is a provider of defined contribution plans rather than deferred compensation plans. He further stated that they have several years of experience in providing defined contribution plans to nonprofit, tax exempt organizations that have educational research as their primary goal. Mr. Rugh continued with his presentation. Questions and discussion followed.

Sen. Riveness requested that Mary Stanton of the State University System hold her presentation until the next Commission meeting.

The meeting adjourned at 4:40 P.M.


Jean Lieb Gott, Secretary