




OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Date: May 2, 2007
To: Members of the Legislative Commission
on Pensions and Retirement
From: Jim Nobles
Legislative Auditor 
Subject: Valuation of Assets in the Postretirement Fund

I understand that the Pension Commission may meet again before the current legislative session adjourns. If you do, I strongly urge you to implement the recommendation my office made earlier this year concerning the method used to value assets in the Postretirement Fund.

The current method of valuing assets equal to liabilities does not comply with generally accepted accounting principles. It also results in funding ratios for the statewide retirement plans that are misleading.

The solution to the problem is relatively simple: clarify *Minnesota Statutes* and change Pension Commission policy to require a “market-related” asset valuation method. I have enclosed a copy of the pages in the OLA report, *Postemployment Benefits for Public Employees*, where this issue and our recommendation are discussed.

Some people have connected a change in asset valuation for the Postretirement Fund with other issues and concerns. I think this approach is unnecessarily confusing and will likely delay needed action on the asset valuation issue.

The OLA report contains several other recommendations to help manage the deficit in the Postretirement Fund, but we recognize that they are more complex and will require more deliberation than you can accomplish this session. When you are ready to address those other issues, my staff and I would welcome an opportunity to discuss them with you. In the meantime—this session—I again request that you change the method used to value assets in the Postretirement Fund.

Thank you for your consideration.

Enclosure

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