



TO: Members of the Legislative Commission on Pensions and Retirement
 FROM: Lawrence A. Martin, Executive Director
 RE: Update on the Commission FY2012–FY2013 Biennial Appropriation and Budget; Options for a Revised Services Contract with Milliman
 DATE: September 12, 2011

Introduction

This memorandum summarizes the appropriation allocation by the 2011 Legislature to the Legislative Commission on Pensions and Retirement, the FY2012 Commission budget allotment, and options developed by the Commission staff and the actuarial consulting firm of Milliman, Inc. for a resumption of the Commission’s actuarial services contract with Milliman.

Fiscal Year 2012 – Fiscal Year 2013 Commission Allocations and Budget

From its appropriation under First Special Session Laws 2011, Chapter 10, Article 1, Section 2, Subdivision 4, the Legislative Coordinating Commission has allocated to the Legislative Commission on Pensions and Retirement \$948,000 for the Fiscal Year 2012 – Fiscal Year 2013 biennium, \$474,000 for each fiscal year.

The following sets forth the Fiscal Year 2012 – Fiscal Year 2013 biennial budget apportionment of the Commission, with 78.7% attributable to personnel, 19.0% attributable to the actuarial consultant, 0.7% attributable to interim meeting expenses, and 1.6% attributable to office expenses:

| Expenditure Item | FY2012 | FY2013 |
|----------------------------|-----------|-----------|
| 08 Personnel | | |
| a. Salaries | \$292,763 | \$292,763 |
| b. Benefits | 80,375 | 83,237 |
| 10 Rents & Leases | | |
| - Data Processing/Ads | 0 | 0 |
| 12 Repairs & Maintenance | 1,612 | 1,200 |
| 14 Printing | 0 | 0 |
| 16 Actuarial Consultant | 90,000 | 90,000 |
| 18 Purchased Services | 0 | 0 |
| 20 Communications | 1,700 | 1,700 |
| 21 In-State Travel | | |
| a. Member Per Diem | 1,500 | 1,167 |
| b. Member Travel | 2,500 | 2,333 |
| c. Staff Travel | 0 | 0 |
| 22 Out-of-State Travel | | |
| a. Member Per Diem | 0 | 0 |
| b. Member Travel | 0 | 0 |
| c. Staff Travel | 0 | 0 |
| 29 Membership Fees | | |
| - Prof. Development, Staff | 0 | 0 |
| 30 Supplies & Publications | 3,550 | 1,600 |
| 40 Equipment | 0 | 0 |
| Total | \$474,000 | \$474,000 |

Attached is background information on the role and function of the Legislative Commission on Pensions and Retirement from 1943 to date ([Attachment A](#)) and on the staffing, actuarial services, and budgeting of the Legislative Commission on Pensions and Retirement from 1943 to date ([Attachment B](#)).

Attached is a comparison of the Fiscal Year 2012 – Fiscal Year 2013 Commission budget with the Commission budgets for the prior ten bienniums ([Attachment C](#)).

Options for Revised Resumption of the Actuarial Services Contract Between the Commission and Milliman

As summarized in Attachment B, Part 2, the Commission’s actuarial services contract with Milliman was terminated in March 2011 with the intent to revise the contractual relationship with Milliman upon the resolution of the state’s budget difficulties and with the negotiation of any needed revisions or accommodations in the terminated contract with Milliman to reflect changes in the appropriation allocation to the Legislative Commission on Pensions and Retirement.

Milliman, at the request of the Commission staff, has prepared four options (Attachment E) for a revised set of mandated and discretionary actuarial services and their compensation. The first two options, spreading some of the services of the last two years of the terminated actuarial services contract over a longer period of time, were developed by Commission staff. The second set of two options, delaying some services of the terminated actuarial services contract and eliminating some services for the smaller-sized retirement plans, were developed by Milliman.

Under the Fiscal Year 2012 – Fiscal Year 2013 appropriation allocation to the Legislative Commission on Pensions and Retirement, unless there are Commission staff reductions, the actuarial services portion of the budget for the current biennium would support only the replication audit and actuarial valuation review services specified in the last two years of the terminated Milliman contract, leaving virtually no resources for any special actuarial projects that the Commission may wish to undertake, such as a potential redesign of Minnesota public employee retirement benefit coverage.

Four options were assembled in order to provide some budgetary room for any special projects that the Commission may wish to undertake. The four options that have been developed are:

- Option #1 would provide an available special projects budget of \$11,600 in Fiscal Year 2012 and \$6,570 in Fiscal Year 2013.
- Option #2 would provide an available special projects budget of \$10,000 in Fiscal Year 2012 and \$8,200 in Fiscal Year 2013.
- Option #3 would provide an available special projects budget of \$26,000 in Fiscal Year 2012 and \$21,170 in Fiscal Year 2013.
- Option #4 would provide an available special projects budget of \$40,300 in Fiscal Year 2012 and \$26,280 in Fiscal Year 2013.

Minnesota Statutes, Section 16A.281, provides that the appropriation to the Legislature or legislative entity may be spent in either year of the biennium, meaning that savings under an option for the second year could be actually spent in whole or in part during the initial year of the biennium.

Contract language, including the four options as alternatives, has been provided to Milliman for its review and is contained in [Attachment D](#).

If the Commission settles upon one of the four options as its preferred revision of the Commission's actuarial services contract with Milliman, the Commission staff will reformat the Attachment D contract language based on that choice for a prompt resumption of the contractual relationship with Milliman. If the Commission desires other options to be developed, the Commission staff and Milliman will undertake that task.