.... moves to amend H.F. No. 2199; S.F. No. 1808, the delete-everything amendment H2199-7A, as follows:

Page 66, line 5, strike "uniform"

Page 66, line 6, strike everything after the period

Page 66, line 7, strike the old language and delete the new language and after the stricken period insert "The fees must be deposited in an administrative fee account. On January 1, following the end of the prior fiscal year, the executive director shall estimate the amount needed to cover plan expenses, record keeping costs, and custodial fees for the new fiscal year. If the balance of the administrative fee account is in excess of this amount, the excess must revert to participant accounts, or plan fees must be reduced to eliminate the excess, or the executive director may use a combination of both approaches to eliminate the excess."

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: H2199-9A: Proposed Amendment to Pension Commission Draft H2199-7A, Article 4, MSRS Health Care Savings Plan Modifications

DATE: February 29, 2012

Introduction

The Legislative Commission on Pensions and Retirement considered H.F. 2265 (Lanning); S.F. 1890 (Rosen), MSRS Health Care Savings Plan administrative provisions, at its February 21, 2012, meeting, and the substance of that bill is included as Article 4 in delete-everything amendment H2199-7A. H2199-7A contains proposed legislation heard by the Commission through February 28, 2012, and laid over for possible inclusion in the Commission's recommendation for the 2012 Omnibus Retirement Bill.

At the February 21, 2012, meeting some Commission members expressed concern regarding proposed revisions in a fee provision. The applicable language is found on page 66 of H2199-7A. Under that language any fees collected to run the health care program that are not currently needed must revert to participant accounts or be used to reduce plan fees "in the future," rather than in the following year. Some Commission members felt that "in the future" was too vague and asked for an amendment that provided more specificity. In response, the executive director of MSRS is proposing the amendment discussed below.

Summary of Amendment H2199-9A

H2199-9A amends delete-everything amendment H2199-7A by creating a holding account for fees collected to administer the health care plan. At the start of each fiscal year, the executive director will determine whether the amount in the holding account exceeds one year of expected expenses. If there is an excess, the excess must be distributed to member accounts, or fees can be reduced to remove the excess, or the executive director can use a combination of both approaches to remove the excess.

Discussion

The MSRS executive director has stated that there is a need to retain sufficient amounts to handle unexpected cost increases. Under H2199-9A, MSRS is proposing to create an account to retain a cushion equal to one year's expected expenses. Amounts in excess of this amount will be returned to plan members, either by direct crediting of members' accounts or prospective reduction of fees.