



October 9, 2008
Room 107 Capitol

1st Subcommittee Meeting

ACTUARIAL SERVICES SUBCOMMITTEE
of the
LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Call to order:

Senator Don Betzold, Chair of the Actuarial Services Subcommittee of the Legislative Commission on Pensions and Retirement, called the meeting to order at 10:05 a.m.

Commission Members Present:

Representatives Michael V. Nelson and Steve Smith, and Senator Don Betzold

Agenda Items

Review of Laws 2008, Chapter 349, Article 10, Sections 9 and 17.

Consideration of:

**The Scope of Actuarial Services to be Provided by the Auditing Consulting Actuary;
Particular Required Qualifications of Potential Auditing Consulting Actuarial Firms;
A Potential Schedule for Auditing of Retirement Plan Regular Actuarial Valuations and
Experience Studies;
The Preferred Duration of an Auditing Consulting Actuarial Firm Contract; and
Potential Request for Proposal Elements for an Auditing Consulting Actuarial Firm.**

Mr. Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement, reviewed the staff memo on the agenda topics and discussed various alternatives for subcommittee consideration.

Senator Betzold provided some history on the provision of actuarial services.

In response to a question from Senator Betzold, Mr. Martin indicated that staff has not to date explored the possibility of having the Society of Actuaries post the Request for Proposal (RFP), and that staff intends to transmit the Request for Proposal electronically and to post on the State Register.

The subcommittee discussed the various alternatives for consulting firm qualifications, the scope of services to be provided, scheduling, and contract duration.

Consulting Firm Qualifications

1. Location. The subcommittee discussed the importance of face-to-face contact with a consulting actuary, and that a firm with Midwest/Minnesota location may be preferable but not required.
2. Firm Size. The subcommittee recognized that previous RFP's have not contained a firm size restriction, but that bidders could be asked to identify the size of the firm and how a small firm or single practitioner would address meeting the Commission's needs.
3. Prior Experience as a Reviewing/Auditing Actuary. The subcommittee agreed that prior experience as a reviewing/auditing actuary is important, but the amount of experience would not be specified.
4. Prior Experience with Minnesota Public Pension Plans. The subcommittee indicated that prior Minnesota pension plan experience would be helpful but not required. More importantly, bidding firms with no Minnesota experience should state how they intend to become familiar with Minnesota plans and laws.
5. Time Availability. The subcommittee discussed that time availability is more of a concern with a production rather than reviewing/auditing actuary, but may be of concern if the actuary is expected to review and/or replicate actuarial cost estimates of proposed pension legislation in light of short deadlines during the legislative session.
6. Data Processing Capabilities. The subcommittee indicated that bidding firms need to express their data processing ability.

7. Contractual Relationships with Minnesota Public Pension Plans. The subcommittee agreed that bidders need to indicate any potential conflicts of interest and how a conflict would be resolved.
8. Liability Limits/Third Party Reliance Issues. The subcommittee agreed that the RFP should contain a tough requirement on liability limitations as it could be a negotiating point with applicants.

Length of Contract

The subcommittee discussed the value of a contract longer than one year because of cost considerations. Mr. Martin brought up the idea of a contract length of an odd number of years, which would have the benefit of putting the contracting process into a year when members are not facing a general election. Subcommittee members agreed with the idea of a three- or five-year contract with potential extension(s), and the inclusion of an escape clause.

Staff was directed to produce a draft Request for Proposal, which would be distributed to subcommittee members and would be posted on the Commission website.

Adjournment

The meeting adjourned at 11:00 a.m.