

In the Matter of the Proposed
Amendment of the Minnesota Rules,
Part 7900.1600, Reducing the
Number of Acknowledgments to
Verify Receipt of Benefit Payments.

STATEMENT OF NEED
AND REASONABLENESS

The Minnesota State Retirement System (MSRS) is proposing to amend Minnesota Rules, Part 7900.1600 to reduce the number of acknowledgments to verify receipt of benefit payments. Currently, we require recipients to acknowledge payments twice a year. The requested change will require that payments be acknowledged once a year. The second acknowledgment will be replaced by cross-referencing social security numbers of deceased individuals from a national file with people currently receiving monthly benefits from MSRS.

The benefit acknowledgment procedure is designed to make sure we are not making payments to deceased individuals, the payment is received by the person who is the payee, and to update our home address file. We can accomplish checking for deaths by hiring a company to match the social security numbers of our benefit recipients against a national listing of all deceased people. We have been periodically using this service in addition to our semiannual acknowledgement procedure and it has worked quite well. In fact, we would probably eliminate both acknowledgments if it were not for the fact that the annual acknowledgment allows us to maintain more accurate addresses.

The cost of each acknowledgment process we conduct exceeds \$10,000 in printing and mailing costs. In addition, many hours of staff time are needed to process the returned acknowledgments. The change in rule will save considerable money and streamline our administrative duties.

The benefit receipt acknowledgment can be a burden on recipients as well. Individuals in nursing homes or in poor health can have difficulty responding to our requests. Acknowledgment cards can be misplaced or not received, and follow-up mailings are sometimes misunderstood and raise fear that monthly payments may be immediately suspended.

The need for acknowledgment of receiving benefit payments has been greatly reduced through two-thirds participation in direct deposit of checks to bank accounts. The financial institutions receiving payments are often notified of deaths before we are. We are subsequently notified by these institutions.

To ensure that we are not paying deceased individuals, we will increase the number of times we match social security numbers of

benefit recipients against a listing of deceased persons. The cost of each social security number match is about \$500, considerably less than the full acknowledgment procedure. In addition, we check obituary pages and receive death notifications from the employer units and from family members. This change will not result in any increase of payments made to deceased benefit recipients.