



Minneapolis
City of Lakes

Finance Department

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November 4, 2005

Senator Larry Pogemiller
Chair
Legislative Commission on Pensions & Retirement
235 Capitol
Saint Paul, MN 55155

Dear Senator Pogemiller:

The City of Minneapolis understands that one of its local pension funds, the Minneapolis Firefighters Relief Association (MFRA), is in the process of updating the mortality table used in its actuarial assumptions. We do not agree that the mortality table needs to be updated at this time.

As you know, the City of Minneapolis pays benefits to its retirees based on state statute, and fully intends on fulfilling its obligations to these dedicated public servants and their surviving spouses. However, we do not want to increase the burden on the taxpayers of Minneapolis beyond what is required to meet our financial obligations.

If the Legislative Commission on Pensions and Retirement decides that a change should be made to the mortality table, which would increase the City's liability, we respectfully request that the City be involved in the decision as to what table is selected. After discussions with our consulting actuary, the City believes that the table proposed by the MFRA is not based on statistically significant data. Because MFRA has less than 700 participants, a few more or less deaths in a given experience period can significantly alter the results.

In addition, if the Commission changes the mortality assumptions, we believe that the discussion should include all of the assumptions used in calculating the City and State's liability. For example, factors such as assumed rate of return on investments are inconsistent with those used for other funds and should be included in a review of other assumptions.

We wanted the Pension Commission to be aware of the City's thoughts regarding this issue. If you have any questions about the City's recommendation please feel free to contact me at (612) 673-3375. Thank you for your consideration.

Sincerely,



Patrick P. Born
City Finance Officer

cc: Walter C. Schirmer, MFRA
Legislative Commission on Pensions and Retirement
Lawrence Martin, Executive Director, LCPR
Mayor R.T. Rybak
Minneapolis City Council
John Moir, City Coordinator
Jack Qvale, Board of Estimate & Taxation