

Mr. Chair and Members of the Commission:

Thank you for the opportunity to speak to you today regarding the request of the Minneapolis Fire Relief Association to update the mortality assumption. As you are aware, this assumption is one of several used to calculate unfunded liability for the fund. Other assumptions include rate of return on investments and estimated wage growth.

The city opposes the request of the Minneapolis Fire Relief Association. We have two reasons for our opposition. One is the rather small numerical size of the Association. Seven hundred members is a very small sample size to develop a valid mortality assumption. The VanIwaarden mortality study acknowledges that the "total number of participants during the study period are too few to state with *statistical* certainty that a change is required."

We would suggest that the mortality assumption adjustment, if any change is made, be based on the RP-2000 mortality table for blue-collar healthy annuitants, gender distinct, with a two year set forward. Based on a sample of approximately 11 million, the RP-2000 is the most recent table issued by the American Society of Actuaries and is the only table based solely on retirement plan mortality experience. The table was chosen because it comes closer than any other mortality table to achieve the statutory goal of taking into "account results of available independent studies of mortality of individuals covered by pension plans." The table also was created without regard to actual plan experience.

Our second reason for opposing this request relates to choosing one assumption rather than doing a comprehensive review of all assumptions. True, the mortality assumption will increase the city's liability. Prior to adopting any assumption adjustment the validity of all assumptions should be tested and compared to those of similar other funds and city policy. The results of the tests should be incorporated into any adjustment. For example the 4% wage growth is inconsistent with the city's 2% wage growth policy and the assumed rate of investment may not be consistent with the rate used by other funds.

The City of Minneapolis pays benefits to its retirees base on state statute, and fully intends to fulfill 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.