

October 22, 2013

Mr. Lawrence A. Martin
Executive Director
Legislative Commission on Pensions and Retirement
100 Rev. Dr. Martin Luther King Jr. Blvd.
State Office Building, Room 55
St. Paul, MN 55155

Re: Chaska Fire Department Relief Association – Request for Mortality Assumption Change

Dear Mr. Martin,

Van Iwaarden Associates has been the actuaries for the Chaska Fire Department Relief Association for many years, and in a few months we'll be preparing the December 31, 2013 actuarial valuation for their defined benefit pension plan.

The mortality table that has been used in past valuations is the 1983 Group Annuity Mortality (1983 GAM) table. In our opinion, the use of this table no longer meets the requirements of the LCPR or generally accepted actuarial standards. In our professional opinion, the RP-2000 fully generational mortality table would represent our best estimate of expected future mortality experience.

The plan's bylaws were recently amended to allow future retirees to receive their pensions as single lump sum payments. Therefore, changing the mortality assumption will not have a material impact on these participants' liabilities.

Current retirees receive their benefits under a 100% Joint & Survivor benefit option. Changing from the 1983 GAM table to the RP-2000 table generally increases life expectancy for males and shortens life expectancy for females. We've recalculated the liabilities from the prior actuarial valuation using the new assumption and the net effect on the plan's liability for these participants is also very minimal since male participants (which are almost all of the participants) will be assumed to receive their pensions over a longer time period while their surviving female spouses will be assumed to receive their benefits over a shorter period. Overall, we expect the total plan liability to change by less than 2% when switching to the new mortality assumption.

As required under Minnesota statute 356.215 Subd.18(b), we are requesting the approval of the Legislative Commission on Pensions and Retirement to make this change in the mortality assumption.

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Please feel free to contact me with any questions you may have. Thank you for your prompt consideration of this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark W. Schulte". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark W. Schulte, FSA
Consulting Actuary

Cc: Jason Buntin – Chaska Fire Department Relief Association

L/D/C/R: 2/ms/sb