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November 8, 2011

Mayor & City Council and City
Manager of Kansas City, Missouri
City Hall - 29th Floor
414 E. 12th Street
Kansas City, MO 64106

Dear Honorable Mayor and Members of the City Council and City Manager:

Attached to this Memorandum you will find the points of recommendation from the Kansas City Pension Task Force.

We began our meetings in April and had our final meeting on November 8. The members of the Task Force are listed at the conclusion of this Memorandum. We were also ably assisted by City Clerk, Vicky Thompson-Carr, and by Assistant City Attorney, Bill Geary. Additional assistance was provided by Steve Sparks of the Bryan Cave law firm. The Task Force also called on Jim Pyle and Rick Boersma who assisted in providing timely educational material, often on short notice. The Task Force met on generally a bi-weekly basis, although some exceptions were made.

Of the eleven members of the Task Force, ten were in agreement with the points of recommendation, and one member voted against. Several members have stated they intend to take the opportunity of addressing some of the approved points in memoranda to be provided to you by each such member.

One of the first actions taken by the Task Force was the development of a Mission Statement. The Mission Statement reads as follows:

The City of Kansas City's Pension Review Task Force is charged with assessing the City's pension systems and developing recommendations for the Mayor, City Council and other governmental bodies in order to ensure the plans remain financially sustainable and affordable over the long-term for city government while providing fair and equitable retirement benefits for all city employees.

One of the next orders of business was the retention of an outside consultant to assist in the preparation of various scenarios proposed by Task Force members. The selection process resulted in the retention of the Segal Company headquartered in Chicago. We will provide you access to all of the various reports and charts

generated by Segal, and we will be happy to provide an explanation of those materials where necessary.

The Task Force also took time to educate its members through the review of written material and the testimony of experts. All meetings were open to the public and the press, consistent with the Open Meetings law. Members of the public in attendance at all meetings were offered time to comment.

In working towards the points of recommendation being presented, the Task Force was guided by the following:

- (a) arrive at a solution which does the least of amount of change to the greatest number of employees and pensioners;
- (b) keep the City's contribution to the plans fixed at \$52,000,000 (as adjusted in point number 6) while still reaching 100% funding of all plans in 25 years;
- (c) keep public safety personnel on a Defined Benefit program for the longest possible period of time;
- (d) begin the consideration of a Defined Contribution Plan;
- (e) eliminate the unfairness of automatic COLA increases at a time that City employees are receiving no salary increases;
- (f) recognize that although each of the City's pension plans are under-funded on an actuarial basis, the City is not in as severe a condition as other municipalities and local governments are; and, therefore, less than drastic measures are called for;
- (g) to have a clear understanding that the assumptions used in the Segal scenarios may not hold over the next 25 years or, in fact, over the next five years;
- (h) recognize that some of our recommendations may require state action or compliance with existing bargaining agreements or the changing law in this area.

On numerous occasions, the Task Force was reminded that it can only make recommendations and that only the City Council is in a position to actually make changes. In that regard, the Task Force determined to give clear, concise recommendations on very complicated issues. We fully understand that the Council may find it necessary to deviate from the specific recommendations or entertain some alternative proposals. What we do know is that the recommendations we are making will work (if the assumptions hold) to restore the City's pension plans to the appropriate level, to eventually shift some of the investment risk from the City to the employees, and to maintain the City's strong credit rating.

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We will be pleased to discuss our recommendations with you at your convenience.

Finally, and on a personal note, I wish to thank the members of the Task Force for their dedication, their discussions, which although not always agreed upon, stayed substantive, and for always keeping the Mission Statement in front of us during our deliberations.

Sincerely,

Herbert M. Kohn

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KANSAS CITY PENSION FUND TASK FORCE MEMBERS

Rick Brisbin
Mike Chesser
Hon. Jay Daugherty
Dave Fowler
Ken Hager
Herbert M. Kohn (Chairman)
Randy Landes
Bernardo Ramirez
Brent Stewart
Bridgette Williams
Louie Wright