

Board of Police Commissioners of Kansas City, Missouri		Section: 500
Subject: Resolution re: Health Insurance Consolidation		Resolution Number: 12-03
		Page: 1 of 2
		Date Approved: 04/09/12

WHEREAS, pursuant to the provisions of Section 84.420.2(8) of the Revised Statutes of Missouri, the Board of Police Commissioners of Kansas City, Missouri ("Board") has a responsibility to provide and contract for insurance benefits providing for health and medical coverage (collectively "Health Coverage"); and

WHEREAS, pursuant to the provisions of Sections 70.220 and 84.850 of the Revised Statutes of Missouri, the Board is authorized to contract with the City of Kansas City, Missouri (the "City") to obtain Health Coverage; and

WHEREAS, the City of Kansas City, Missouri (the "City") is endeavoring to establish a Health Care Trust (the "Trust"), as is authorized under Section 537.620 of the Revised Statutes of Missouri, to provide and contract for Health Coverage for active and retired City employees and other covered persons; and

WHEREAS, the Trust will be governed by a Board of Trustees comprised of representatives from each active and retired member classification to provide governance and decision making for the Trust; and

WHEREAS, the Board and the City have engaged in productive discussions regarding collaboration between the City and the Board within the Trust; and

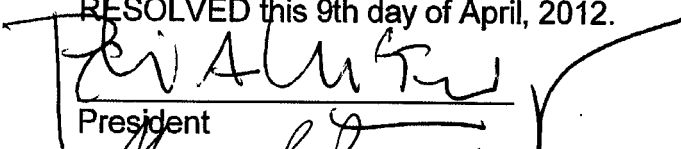
WHEREAS, the City has committed to the Board certain funding increases to be used for salary raises for the employees of the Kansas City, Missouri Police Department, which increases are conditioned on the Board's joining the Trust.

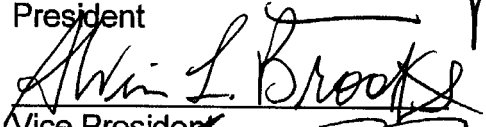
NOW THEREFORE, be it resolved that, subject to the Board's legal review of, and satisfaction with, all formation and governance documents of the Trust, the Board hereby affirms its intention to enter into an agreement with the City to join the Trust, and participate on the Trust's Board of Trustees, for the purpose of providing Health Coverage for the active and retired members of the Kansas City, Missouri Police Department. The Board further resolves that the appropriate members of the Department are directed to work with the City to implement this agreement.

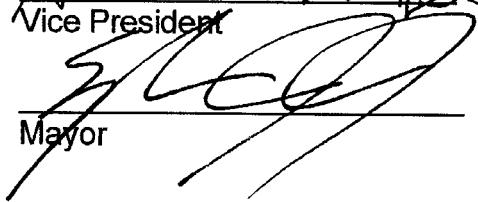
Board of Police Commissioners of Kansas City, Missouri		Section: 500
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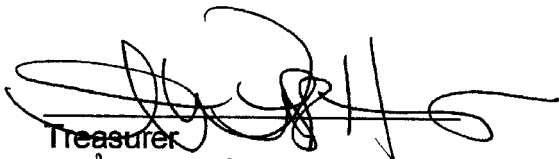
IT IS FURTHER RESOLVED that the Board will annually, for the next five (5) years, review the costs and benefits of the Board's participation in the Trust for the purpose of ensuring that participation is in the best long-term interest of the Board's active and retired members.

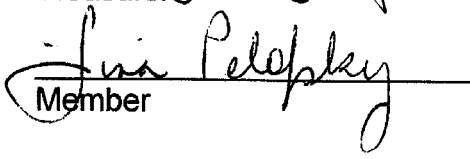
RESOLVED this 9th day of April, 2012.


President


Vice President


Mayor


Treasurer


Member



**STATE OF MISSOURI
JOINT COMMITTEE ON
PUBLIC EMPLOYEE RETIREMENT**

STATE CAPITOL, ROOM 219-A
JEFFERSON CITY, MO 65101
PHONE (573) 751-1280
FAX (573) 628-6459

March 21, 2012

Mr. Troy Schulte, City Manager
City of Kansas City, Missouri
414 E 12th Street, 29th Floor
Kansas City, MO 64106

Dear Mr. Schulte:

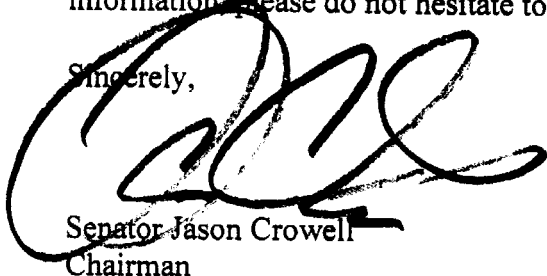
This correspondence is to serve as official comment relative to the cost statement filed with the Joint Committee on Public Employee Retirement (JCPER) on February 17, 2012 associated with the awarding of prior service credit for former employees of the Metropolitan Ambulance Services Trust (MAST) within the Employees' Retirement System of Kansas City, MO (ERSKC). As you are aware, Section 105.675, RSMo requires a 45 day public disclosure period after the filing of an actuarial cost statement associated with a "substantial proposed change" as defined in Section 105.660, RSMo.

According to the actuarial cost statement filed with our office, the awarding of prior service credit to former MAST employees will result in an increase in the unfunded actuarial accrued liability (UAAL) to the ERSKC by approximately \$18.9 million and would increase the Annual Required Contribution (ARC) by approximately \$960,000. Attached, you will find past correspondence from the JCPER outlining statutory concerns and considerations. Most notable of these concerns continue to focus on the provisions of Section 105.684, RSMo which prohibits *"...any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost of living adjustment beyond current plan provisions in effect prior to August 28, 2007 unless the plan's actuary determines that the funded ratio prior to implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation."* As of the May 1, 2011 actuarial valuation, the ERSKC funded ratio was 79.80%. This level coupled with the employer contribution deficiency for the last two plan years yields a measure of significant consideration.

Additionally, the JCPER urges serious consideration of the March 12, 2012 ERSKC Board of Trustees comments relative to statutory and Constitutional concerns associated with this issue. As public pension plans and their sponsors across the country continue to experience budgetary challenges and, in some instances, reevaluate benefit levels, the Kansas City Council is urged to review and deliberate the legality and appropriateness of any proposal that may increase the obligations of the plan sponsor.

Thank you for your attention to this matter. If you have any questions or require additional information, please do not hesitate to contact our office.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'J. Crowell', is written over the word 'Sincerely,' and extends into the space above the name 'Senator Jason Crowell'.

Senator Jason Crowell
Chairman

attachments

cc: JCPER members
The Honorable Chris Koster, Attorney General
The Honorable Sly James, Mayor
City Council Members of the Kansas City Council
Vickie Thompson-Carr, Kansas City Clerk
William Geary, City Attorney
Rick Boersma, Kansas City Employees' Retirement System



**STATE OF MISSOURI
JOINT COMMITTEE ON
PUBLIC EMPLOYEE RETIREMENT**

STATE CAPITOL, ROOM 219-A
JEFFERSON CITY, MO 65101
PHONE (573) 751-1280
FAX (573) 526-8459

June 22, 2011

The Honorable Jan Marcason, Chairperson
Finance, Governance and Ethics Committee
City Council, City of Kansas City, Missouri
City Hall, 22nd Floor
414 East 12th Street
Kansas City, MO 64106

Dear Councilwoman Marcason:

It has come to the attention of the Joint Committee on Public Employee Retirement (JCPER) that the City Council of the City of Kansas City is renewing its review and consideration of Ordinance No. 100607 relative to the Kansas City Employees' Retirement Plan and the implementation of supplemental benefits for former MAST employees under certain conditions. As mentioned in the August 2, 2010 correspondence (attached) to retirement plan staff, the JCPER remains concerned regarding the potential violation of Section 105.684, RSMo, which prohibits "*...any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost of living adjustment beyond current plan provisions in effect prior to August 28, 2007 unless the plan's actuary determines that the funded ratio prior to implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation.*"

The most recent actuarial valuation received from the Kansas City Employees' Retirement Plan as of May 1, 2010 indicated an actuarial funded ratio of 75% which is below the required 80% for benefit enhancements.

The floor substitute for Ordinance No. 100607 offered in committee today appears to establish a new defined benefit pension plan for former MAST employees who elect participation. Please be advised of concern regarding potential violation of statutory provisions including:

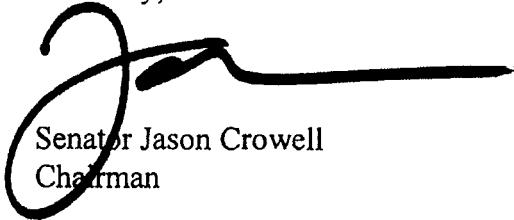
The establishment of a new pension plan may be in violation of Section 70.615, RSMo which allows political subdivisions having an assessed valuation over \$100 million or

more, "*...which does not now have a pension system for its officers and employees adopted pursuant to state law...*", to provide for the pensioning of its officers and employees as well as widows and dependents. Given that the City of Kansas City maintains four defined benefit plans, it may lend to an interpretation that a new plan would violate this statute.

The JCPER urges the City of Kansas City officials to review and consider Section 70.615, RSMo regarding the legality of the establishment of any new pension plan in addition to the previous requested consideration of Section 105.684, RSMo.

Should a new pension plan or supplement be enacted under this ordinance, the Attorney General's office will be contacted for a legal interpretation of the violation of the above-referenced statutes with a request for him to defend the statutory provisions to his fullest authority. Your consideration of these issues is requested and appreciated. If you have any questions, please do not hesitate to contact our office.

Sincerely,



Senator Jason Crowell
Chairman

cc: JCPER Members
The Honorable Chris Koster, Attorney General
Troy Schulte, City Manager
The Honorable Sylvester James, Mayor
Galen Beaufort, City Attorney
Rick Boersma, Kansas City Employees' Retirement Plan



**STATE OF MISSOURI
JOINT COMMITTEE ON
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STATE CAPITOL, ROOM 219-A
JEFFERSON CITY, MO 65101
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FAX (573) 526-6459

October 1, 2010

Mr. Troy Schulte, Acting City Manager
City of Kansas City, Missouri
414 East 12th Street
Kansas City, MO 64106

Dear Mr. Schulte:

This correspondence acknowledges receipt by the Joint Committee on Public Employee Retirement (JCPER) of the actuarial cost statement associated with a proposed ordinance (#100607) and subsequent modification to the Kansas City Employees' Retirement System. According to the cost statement, employees previously employed with the Metropolitan Ambulance Service Trust (MAST) company and subsequently employed by the City of Kansas City will receive prior service credit with MAST after 18 months of service with the City. Additionally, these employees will be required to make a plan contribution of 6% of compensation with current employees making a 4% contribution.

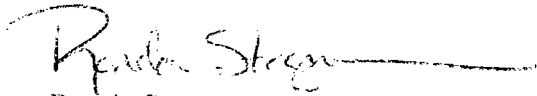
Using the plan status as of May 1, 2010, the cost statement indicates such change would increase the 2010 total City contribution rate from 18.04% of pay (\$27.7 million) to 19.33% (\$32.7 million). It also indicates such change will be amortized over a 10 year period.

The filing of this cost statement complies with the provisions of Section 105.675, RSMo which requires such filing of a "substantial proposed change" in future plan benefits at least 45 calendar days prior to final action. However, I call your attention to the August 2nd correspondence (attached) forwarded by the JCPER Chairman and Vice Chairman expressing concern and consideration of statutory provisions relative to benefit modifications for retirement plans under

80% funded in Section 105.684, RSMo. While the Firefighter's Retirement Plan has achieved the actuarial funded ratio of 84% as of the May 1, 2010 valuation, the Employees' Retirement Plan funded ratio remains below 80% with an increase from 73% to 75%.

The JCPER would appreciate your response to this issue which was and continues to be a concern. If you have any questions or require additional information, please do not hesitate to contact our office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Ronda Stegmann", followed by a horizontal line extending to the right.

Ronda Stegmann
Executive Director

cc: JCPER members

Rick Boersma

Mark Funkhouser, Mayor

Galen Beaufort, City Attorney

Deb Hermann, Kansas City Council, Finance and Audit Committee Chairperson



**STATE OF MISSOURI
JOINT COMMITTEE ON
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STATE CAPITOL, ROOM 219-A
JEFFERSON CITY, MO 65101
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FAX (573) 526-8459

August 2, 2010

Mr. Rick Boersma
Kansas City Employees' Retirement Plan
Kansas City Firefighters' Retirement Plan
414 E. 12th Street, 12th Floor
Kansas City, MO 64106

Dear Mr. Boersma:

It has come to the attention of the Joint Committee on Public Employee Retirement (JCPER) that proposed modifications are being considered to the Kansas City Employees' Retirement Plan as well as the Kansas City Firefighters' Retirement Plan. According to Ordinance 100607, a special supplemental benefit is being considered as an addition to plan provisions currently in place concerning certain members of the Employees' Retirement Plan. Additionally, according to Ordinance 100606, domestic partners of members are being proposed to be included in those eligible for survivor benefits from the Firefighters' Retirement Plan.

This correspondence is to serve as a notice of concern regarding any potential violations of the statutory provisions applying to the implementation of a benefit that is beyond current plan provisions. In 2007, the Missouri General Assembly passed a pension reform package including Section 105.684, RSMo, which prohibits *"...any additional benefit increase, supplement, enhancement, lump sum benefit payments to participants, or cost of living adjustment beyond current plan provisions in effect prior to August 28, 2007 unless the plan's actuary determines that the funded ratio prior to implementation is at least eighty percent and will not be less than seventy-five percent after such adoption or implementation."*

The most recent actuarial valuations forwarded to our office as of May 1, 2009, indicates the Kansas City Employees' Retirement Plan was at an actuarial funded ratio of 73% and the Kansas City Firefighters' Retirement Plan was 70% which is below the required 80% as outlined in Section 105.684, RSMo. The JCPER strongly advocates adherence to state statute designed to ensure the sustainability of Missouri's public pension plans. Kansas City officials are urged to consider and

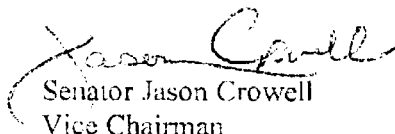
review this statutory provision prior to adoption of any ordinance that authorizes the implementation of any additional benefits. We have attached, for your review, the JCPER governing statutes including provisions in Chapter 105 applicable to Missouri public pension plans.

Thank you for your attention to this matter. If you have any questions or need assistance, please do not hesitate to contact our office.

Sincerely,



Representative Ward Franz
Chairman



Senator Jason Crowell
Vice Chairman

cc: JCPER Members
Mark Funkhouser, Mayor
Troy Schulte, Acting City Manager
Galen Beaufort, City Attorney
Deb Hermann, Kansas City Council. Finance & Audit Committee Chair