



TO: All City of Memphis Employees and Retirees

FROM: Mayor A C Wharton Jr.

DATE: September 15, 2013

RE: Pensions

The climbing costs of the City of Memphis pension system are not sustainable, and the \$640 million in unfunded pension liabilities is a clear mandate for action. This is not something that only Memphis is facing. Other city governments across the U.S. are facing the consequences of doing nothing. Some have already seen their bond ratings lowered and others have taken draconian steps to control rising pension costs.

The good news is that City of Memphis has the opportunity to act now to ensure that this growing problem is responsibly addressed, because if we balance our responsibilities to taxpayers, employees, and retirees, we can make decisions that ensure that today's problem does not become tomorrow's crisis.

I have no preconceived solution for what should be done, but I know that we need options and recommendations from the best thinkers about this problem. That's why I, as Mayor and chairman of the pension board, have asked for the advice of national pension and financial experts, PwC (PriceWaterhouseCoopers) and PFM (Public Financial Management Inc.).

In the coming weeks, the City of Memphis will evaluate our options for reducing the pension system's unfunded liabilities to ensure that the pension plan is financially sound for the future. As we consider options, be assured that none of those options will result in employees losing a pension. All employees are guaranteed benefits they have earned up to the date of any possible plan changes.

In addition, I hope any city employee or Memphian who has a suggestion will submit them so they can be considered. My plan is for this initial phase of evaluation to be done in the next 30 days. Next, I will make a specific set of recommendations for action which will be forwarded to the Five-Year Strategic Fiscal and Management Planning process for additional analysis. Final action should be taken in early 2014.

My pledge to you is this: the process will be completely transparent. You will be kept informed every step of the way, both by direct communications and by a page on our website. I look forward to a thoughtful, factual discussion about this issue with you and our citizens in the coming weeks. Thank you for your patience as we seek a viable solution to this challenge.

Sincerely

A handwritten signature in black ink, appearing to read "A C Wharton Jr.", is written over a series of horizontal lines that serve as a guide for the signature's length and placement.