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February 6, 2012

Chris Molitor and Jeffrey Glorioso
Local 73, Fire and EMS Professionals of St. Louis
4271 Delor
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Gentlemen:

The City of St. Louis believes firefighters who spend their careers serving our citizens deserve a good pension. Unfortunately, the cost of the Firemen's Retirement System (FRS) has skyrocketed to the point that it is jeopardizing the Fire Department, the jobs of firefighters, and other City services. The City's required contribution to the FRS has grown to an unmanageable and unsustainable level because the system has realized more than \$200 million in actuarial losses over the last 10 years. To put that in perspective, the entire Fire Department budget is \$72 million.

To meet the rising cost of the three employee pension funds including FRS, the City has raised the sales tax, is charging for trash, borrowed hundreds of millions of dollars, has eliminated 600 civilian jobs, diverted money from parks, low income housing, crime prevention and neighborhood improvements, put off needed repairs and renovations, and spent down its reserve fund. It is still not enough.

The cost of FRS has risen from \$6 million per year (about 12 percent of the Fire Department's budget) to an expected \$31 million next year (more than 30 percent of the overall Fire Department's budget). If we don't do something, the cost will go up by at least another \$7 million next year. That will result in catastrophic cuts in the Fire Department.

As explained during previous meetings, the City plans to pursue local legislation to create a new, locally controlled retirement plan for firefighters that would replace the existing plan. One of the key benefits of creating a new plan would be to eliminate the need to obtain approval from the Missouri General Assembly as a pre-condition to modifying details of a City-funded pension plan. We strongly believe employment, workplace rules, pay and benefit issues should be negotiated between the City and the union without the involvement of people from around the state.

We strongly support collective bargaining for our employees. We want you to tell us how, within the confines of the finite amount of taxpayer dollars available, you want to be compensated. That is healthy. That is good.

We do not think legislators from Kansas City, Springfield, Cape Girardeau or South County should decide how much taxpayers must spend to compensate our employees, nor how our employees are compensated. It should be about what is best for firefighters and taxpayers, not about who has the most political clout in Jefferson City.

Additionally, the decision on whether St. Louis taxpayers, through their elected representatives, choose to remain in a state-controlled pension system or choose to create a local pension system is not a matter that is subject to negotiation under collective bargaining. What is subject to negotiation is the level of benefits. That's what we have tried so hard to negotiate with you.

Unfortunately in every one of our many meetings, you advised that (i) if the City creates a new retirement plan for its firefighters, Local 73 will file a lawsuit to block it; (ii) Local 73 will not consider or negotiate any pension benefit modifications while any litigation related to benefits is pending (presumably referencing the FRS-City litigation, in which Local 73 is not a party); and (iii) Local 73 will not consider or negotiate anything that is not approved by the Missouri General Assembly before it is implemented by the City; and (iv) Local 73 will not consider any changes to benefits for active firefighters.

You have left us with nothing to negotiate. That is unfortunate. We certainly hope at some date in the future that you change your mind.

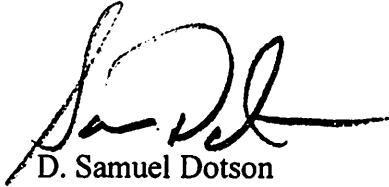
It's not like we didn't try. In reviewing the minutes of our meetings, our initial meeting was December 20, 2011, followed by a meeting on January 10, 2012. It was also agreed that follow-up meetings would be held on January 13, 18, and 23, 2012. The third meeting, scheduled for January 13, 2012, was rescheduled to January 18, 2012, at the request of the City to allow further time to prepare responses to your submittals. On January 18, 2012, we met and the City responded to your submissions. The fourth meeting, scheduled for January 23, 2012, was cancelled at your request, rescheduled for January 30, 2012, and cancelled again at your request. On February 3, 2012, we met for a fourth time and received your responses to the City's January 18 proposals.

It was disappointing that you reaffirmed your position that "the Local is adamantly opposed to the creation of a new pension system as proposed by the City." Again, whether the City chooses or doesn't choose to opt out of the State system and create a local system is not a matter for collective bargaining. Further, the original point of the City's initiation of these discussions was to conduct open and frank negotiations of all pension issues. Your insistence that we wait until current litigation concludes would likely prevent any meaningful discussion for many years and would require a piecemeal approach to pension issues. The Local's insistence to take any issues related to active firefighters off the table created an environment where meaningful progress could not be achieved. We wished you would not have thwarted our efforts to bargain in good faith, but you have.

While scheduling additional meetings might make sense if there was some hope for progress toward the original, stated goal of negotiating pension benefit changes for active firefighters and new hires, it is now obvious that it would be futile at this time to continue such negotiations.

Accordingly, we hereby declare an impasse on this topic. Although our negotiations regarding pension benefits were unsuccessful, we will contact you within a week to schedule meetings to confer and discuss salaries and other conditions of employment.

Sincerely,



D. Samuel Dotson
Director of Operations
City of St. Louis



Richard Frank
Director of Personnel
City of St. Louis