HISTORIC
FRANKLIN
TENNESSEE

MEMO

ITEM #6
WRKS 11/23/2010

ITEM #7
WRKS 11/23/2010

ITEM #8
WRKS 11/23/2010

November 16, 2010

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Russ Truell, Assistant City Administrator
Shirley Harmon, Human Resources Director
Candace Connell, Assistant Human Resources Director

SUBJECT: Amendment to the Employee Pension Plan and establishment of a defined contribution option for employees hired after February 15, 2010

Purpose
The purpose of this memorandum is to provide information to the Board of Mayor and Aldermen (BOMA) to consider adoption of amendments to the Employee Pension Plan and the establishment of a defined contribution option for employee hired after February 15, 2010.

Background
On September 28, 2010, the BOMA passed Resolution 2010-69 (attached) establishing a new retirement plan for employees hired on or after February 15, 2010. This action was the culmination of month of work by the Board to identify changes in the City's pension/retirement program that better managed cost while providing employees with a highly competitive, helpful retirement benefit. These changes impacted only those full time employees hired on or after February 15, 2010. All other full time employees were not impacted by these changes in the retirement plan.

In order to fully implement the Board's direction, a defined contribution program must be established. Resolutions 2010-83 and 2010-84 establish 401 and 457 plans through ICMA Retirement Corporation for this purpose. The existing defined benefit or pension program must also be amended to reflect the changes for employees hired on or after February 15, 2010 that choose to participate in the defined benefit option. These changes are included in Amendment Number 3 to the Franklin Employee Pension Plan document.

Financial Impact
The adopted changes in the City's retirement program are designed to make the plan more sustainable over the long term while still be a competitive benefit that helps the City attract and retain the best employees.

Options
The proposed actions are believed to be consistent with the direction provided by the Board in Resolution 2010-60, passed by BOMA on September 28, 2010.

Recommendation
Approval of the Resolutions 2010-83 and 2010-84 establishing 401 and 457 plans and adoption of the Amendment Number 3 to the Franklin Employee Pension Plan document are recommended.

RESOLUTION 2010-69

A RESOLUTION OF THE BOARD OF MAYOR AND ALDERMEN FOR THE CITY OF FRANKLIN, ESTABLISHING A NEW RETIREMENT PLAN FOR EMPLOYEES HIRED ON OR AFTER FEBRUARY 15, 2010

WHEREAS, the City of Franklin Employees' Pension Plan was closed to new employees effective February 15, 2010, and

WHEREAS, it is in the interest of the City and its employees to maintain a pension plan that is financially viable, predictable, and sustainable over the careers of the covered employees, and

WHEREAS, it is in the interest of the City and its employees to provide a retirement plan that helps attract and retain quality employees.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Mayor and Aldermen for the City of Franklin as follows:

Section 1. The City of Franklin Revised Employee Pension Plan is opened to employees hired on or after February 15, 2010.

Section 2. Employees hired on or after February 15, 2010 are allowed to enroll in one of two options: Option 1 is the City of Franklin Employee Pension Plan, per the terms described below; Option 2 is a new defined contribution plan sponsored by the City.

Section 3. Employees hired on or after February 15, 2010 who choose to enroll in the City of Franklin Employee Pension Plan must contribute 5% of their gross wages to the Plan.

Section 4. Employees hired on or after February 15, 2010 who choose to enroll into the City's Defined Contribution Plan shall contribute a minimum of 5% up to a maximum of 8% of their gross wages into their individual defined contribution account. The City of Franklin shall match the employee's contribution at a one to one ratio for a minimum of 5% up to a maximum of 8% of the employee's gross wages. Any matching dollars provided by the City of Franklin will be made available to the employee at vesting.

Section 5. The vesting period for both the City of Franklin Employee Pension Plan and City of Franklin Defined Contribution Plan is five (5) years.

Section 6. At the time of vesting, employees enrolled in the City of Franklin Defined Contribution Plan may elect to convert their individual defined contribution account to the equivalent accrued benefit under the City of Franklin Employee Pension Plan. If an employee elects this option, they may purchase up to five

(5) years of credited service in the City of Franklin Employee Pension Plan. This is a one-time irrevocable election .

Section 7. The Early Retirement Option of age 62 with 20 years of service shall be removed from the City of Franklin Employee Pension Plan with respect to employees hired on or after February 15, 2010.

Section 8. The "Final Average Compensation" used in the City of Franklin Employee Pension Plan shall be modified to an average of five (5) consecutive years of the last ten (10) years worked with respect to employees hired on or after February 15, 2010.

Section 9. That this Resolution shall be effective upon adoption.

IT IS SO RESOLVED AND DONE on this 28th day of September 2010.

ATTEST: **CITY OF FRANKLIN, TENNESSEE**

By: _____ **By:** _____

Eric Stuckey **John C. Schroer**
City Administrator **Mayor**