

RESOLUTION 2010-07

**A RESOLUTION OF THE BOARD OF MAYOR AND ALDERMEN FOR THE
CITY OF FRANKLIN, FREEZING ADMITTANCE TO THE EMPLOYEE
PENSION PLAN**

WHEREAS, the City of Franklin Employee Pension Plan, according to the most recent actuarial report, is underfunded and will require substantial increases in annual contributions for many years in order to bring the Plan to a fully funded level, and

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

WHEREAS, it is deemed in the public interest to prevent any further enrollment in the existing plan that would add to the Pension Plan's substantial existing burden, and

WHEREAS, it is deemed in the public interest to join the Tennessee Consolidated Retirement System plan or amend the existing plan over the course of the next six months, allowing sufficient time for input from all affected parties, sufficient time for careful deliberation, and sufficient time to ensure that any changes made to the retirement system promote the competitiveness of the City of Franklin in the marketplace for new employees, and

WHEREAS, any revised plan will provide retirement benefits equal to or greater than the basic plan offered to State employees by Tennessee Consolidated Retirement System,

WHEREAS, it is currently required that any new employees hired during the next six months are subject to a one-year probation period before being eligible to participate in the existing or revised retirement plan,

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

Section 1. That the City of Franklin Employee Pension Plan is closed to new employees, effective February 1, 2010.

Section 2. That the Board of Mayor and Aldermen, with the assistance, input, and guidance of the Plan's special pension counsel, the Plan's actuary, the Human Resource Director, and the City Administrator, will determine the optimum solution for future employees by adopting amendments to the existing retirement Plan or adopting a new Plan prior to July 1, 2010.

Section 3. That this Resolution shall be effective upon adoption.

IT IS SO RESOLVED AND DONE on this _____ day of _____, 2010.

ATTEST:

CITY OF FRANKLIN, TENNESSEE

By: _____

Eric Stuckey
City Administrator

By: _____

John C. Schroer
Mayor



HISTORIC
FRANKLIN
TENNESSEE

MEMORANDUM

December 2, 2009

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator *ESS*
Russ Truell, Assistant City Administrator

SUBJECT: Resolution to Freeze Admission to the Employees Pension Plan

Purpose

The purpose of this resolution is to prevent the addition of new employees to the current City of Franklin Employees Pension Plan.

Background

Through numerous meetings this year and from reports from the Pension Oversight Committee, the Board has been made aware of the underfunding of the City Pension Plan. Discussions have ensued about possible changes to, or replacement of, the current Plan. Because it is in the best interest of the City to make these changes and to establish a timeframe for that process, a cutoff point is needed to prevent additional new hires from entering the current Plan.

It is always best to have cutoff points like this match the calendar year, where possible. This resolution would set that cutoff point to match your first January meeting (January 12, 2010). In addition, it sets a deadline for implementation of a new or modified Plan that will cover new employees prior to their first day of eligibility under the retirement program. [Our probationary period of one year dictates that newly hired employees would not be eligible for coverage or contributions until January 2011.] Six months is an adequate time frame to discuss, debate, and decide on the necessary changes.

Financial Impact

Freezing the existing plan to new hires would have a positive impact on future pension contributions. Existing employees will not be impacted by this action.

Options

Enact the freeze or take no action.

Recommendation

Our actuary has confirmed that other plans have set freezes or cutoff points prior to the formal adoption of revised plans or replacement plans. Based on that information and all other information previously provided to the Board, a formal declaration freezing the pension plan is recommended. The passage of the resolution will curtail additional pension liability and give urgency to changes in the retirement coverage.