ADMINISTRATION

Russell B. TruellAssistant City Administrator, CFO Finance



ITEM #16 WRKS 06/08/2010

> Eric S. Stuckey City Administrator

HISTORIC
FRANKLIN
TENNESSEE

May 19, 2010

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator

Russ Truell, Assistant City Administrator/CFO

Shirley Harmon, HR Director

SUBJECT: Cost of Living Adjustment for Pension Beneficiaries

Purpose

The purpose of this memorandum is to provide the Board of Mayor and Aldermen (BOMA) with information to consider a cost of living adjustment for pension beneficiaries based on previously adopted policy.

Background

The Bureau of Labor Statistics reported today that the CPI index (Consumer Price Index for All Urban Consumers, less food and energy) for April 2010 was 221.166. That compares with 219.143 for the same period in 2009. The resulting increase year-over-year is 0.923%.

Per the policy adopted by the Board of Mayor and Aldermen, the cost of living adjustment will be 1% if the year-over-year CPI increase is between 0.5% and 1%. While the adopted policy is not required by the Pension Plan document, it does emulate the parameters of the Tennessee Consolidated Retirement System plan.

Financial Impact

Estimated cost of the benefit increase is \$1, 438 per month, based on April beneficiary payments, or an annual cost of \$17,265. The adopted actuarial assumption for annual benefit increases is 2%.

Recommendation

Just as the staff in 2009 recommended following the policy of giving an adjustment in beneficiary payments, staff again recommends following the policy by making an adjustment of 1% effective July 1, 2010.



SUMMARY OF PROPOSED LIMIT ON POST-RETIREMENT BENEFIT INCREASES

Annually the Board of Mayor and Aldermen revisit the possibility of an increase in post-retirement benefits. In the past, there has been no limitation set on the amount of increase possible each year. Due to the potential need for additional funding to the retirement plan if this continues, the Employee Benefits Investment Committee would like to recommend the following:

- (1) The post-retirement benefits each year reflect a Cost-of-Living Adjustment (COLA).
- (2) The COLA is based on the Consumer Price Index (CPI) as reported by the United States Bureau of Labor Statistics for all items, less food and energy, City average, not seasonally adjusted.
- (3) If the CPI is between .5% and 1%, the COLA will be 1%.
- (4) If the CPI is between 1% and 3%, the COLA will be the actual percent.
- (5) If the CPI is above 3%, the COLA will be 3%.
- (6) If a period of deflation occurs, there will be no reduction of benefits.
- (7) If a period of extreme inflation occurs, the Committee will revisit the structure which addresses increases and appropriate limits will be recommended.
- (8) Cost of living adjustments shall be made effective July 1 of each year, based on the April-to-April statistics.

Consumer Price Index - All Urban Consumers

Series Id: CUUR0000SA0L1E

Not Seasonally Adjusted

Area: U.S. city average

Item: All items less food and energy

Base Period: 1982-84=100

Download:

YearJanFebMarAprMayJunJulAugSepOctNovDec2000178.8179.5180.5180.9180.9181.0181.3181.7182.3182.8183.0183.02001183.5184.4185.3185.6185.5185.9186.2186.2187.1187.6188.1187.82002188.2189.2189.2190.3190.2190.3191.0191.3191.8191.8191.82003194.0196.1196.1196.2196.6196.6196.6196.8197.4198.2193.9193.92004194.0196.1196.2200.8200.8200.8200.1200.3200.3200.3200.3200.3200.32005202.6203.6206.7206.9206.7206.7206.7206.7206.7206.7206.7206.72008203.1204.9216.3216.3216.3216.3216.3217.0216.7216.42008216.1216.2216.3216.3216.3216.3216.7216.9216.7216.72009216.7216.3216.3216.3216.3216.7216.7216.7216.72009216.7216.7216.7216.7216.7216.7216.7216.72010220.1220.1220.1221.3216.3216.7220.1220.1 </th <th></th> <th></th> <th>annew constant</th> <th></th> <th></th> <th></th> <th>111111111111111111111111111111111111111</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>			annew constant				111111111111111111111111111111111111111									
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	2010	220.1		221.1	221.2											

0.923% Year-over-year increase =