

RESOLUTION 2011-28

**A RESOLUTION OF THE BOARD OF MAYOR AND
ALDERMEN FOR THE CITY OF FRANKLIN EMPLOYEES
PENSION PLAN, PROVIDING A COST OF LIVING
ADJUSTMENT TO THE MONTHLY BENEFIT FOR
RETIRED RECIPIENTS**

WHEREAS, the City of Franklin, by action of the Board of Mayor and Aldermen in 2006, adopted a cost-of-living adjustment policy for recipients of benefits from the City of Franklin Employee Pension Plan, and

WHEREAS, the Board of Mayor and Aldermen wishes to continue the existing cost of living policy, and

WHEREAS, the formula adopted by BOMA implies an increase of 1.3%, based on the April-to-April change in the Consumer Price Index-U.S. City average for all items less food & energy, as reported by the United States Bureau of Labor Statistics (BLS).

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

Section 1. That the trustee of City of Franklin Employee Pension Plan be instructed to make effective on July 1, 2012, an increase of 1.30% in the amount of monthly benefit to eligible beneficiaries of the Plan.

Section 2. That this Resolution shall be effective on July 1, 2011.

IT IS SO RESOLVED AND DONE on this 14th day of June, 2011.

ATTEST:

CITY OF FRANKLIN, TENNESSEE

By: _____
Eric Stuckey
City Administrator

By: _____
Ken Moore
Mayor




HISTORIC
FRANKLIN
TENNESSEE

ITEM #8
WRKS 06/14/2011

MEMORANDUM

May 19, 2011

TO: Board of Mayor and Aldermen

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

SUBJECT: Cost of Living Adjustment for Pension Beneficiaries
Resolution 2011-28

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 on May 13, 2011 that the CPI index (Consumer Price Index for All Urban Consumers, less food and energy) for April 2011 was 224.1. That compares with 221.2 for the same period in 2010. The resulting increase year-over-year is 1.3%.

Per the policy adopted by the Board of Mayor and Aldermen, the cost of living adjustment will be 1.3% if the year-over-year CPI increase between 1% and 3%, the COLA will be the actual percent. 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 \$2,196 per month, based on April beneficiary payments, or an annual cost of \$26,355. The adopted actuarial assumption for annual benefit increases is 2%.

Recommendation

Staff and the Pension Investment Committee recommends following the policy of giving an adjustment in beneficiary payments. A Cost of Living Adjustment of 1.3% is recommended effective July 1, 2011.



**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.