

City of Franklin Pension Program and Proposal for New Defined Contribution Plan

August 28, 2018

Background of Existing Pension Plans

- Most active full time employees hired on or before December 31, 2016 are participants in the now closed single employer City of Franklin Defined Benefit (“DB”) Plan.
- Full time employees hired on or after January 1, 2017 are members in the multiple employer Tennessee Consolidated Retirement System (“TCRS”) Legacy DB Plan.
- As of August 2018, below are the number of full time employees enrolled in the retirement plans:
 - Closed City of Franklin DB Plan- 502
 - Closed City of Franklin Defined Contribution (“DC”)Plan w/Employer Match- 101
 - TCRS DB Plan- 99

Comparison of Defined Benefit Pension Plans

	Closed City of Franklin Plan (Before 12/31/2016)	TCRS Legacy (Since 1/1/17)
Full Retirement Age	65	60
Service Years for Full Retirement	25	30
Multiplier at Full Retirement	2.0%	1.575% (1.5% plus 5% one time benefit increase upon retirement)
Employee Contribution as % of Salary	5% w/ Hire Date beg 2010	5%
Annual Benefit for Retiree with 30 years of service with Average Final Compensation ("AFC") of \$50,000	\$30,000 (60% of AFC)	\$23,625 (47.25% of AFC)

Purposes of a Voluntary DC Employer Match Plan for TCRS Employees

- Recognizes that employees participating in the closed COF Plan have higher guaranteed defined benefits than those employees who are TCRS members.
- Encourages employees to save for retirement early in their career by providing a match of employer funds beginning at the 2nd year anniversary of service. Employer funds would only be allocated to employees who deposit their own funds into the qualified retirement plan.
- The maximum annual cost to the City from a DC program is an easier number to project, unlike a defined benefit plan which is subject to actuarial assumptions and future investment performance of the plan's assets. In actuality, the average annual cost to the City will be less than the maximum possible cost since not all eligible employees will participate at the full benefit level.

Comparison of Defined Contribution Plans

	Current Brentwood DC Plan	Proposed Brentwood DC Plan	Proposed Franklin DC Plan
Employee Eligibility	Employees Hired through 12/31/2018	Employees Hired Beginning 1/1/2019	Employees Hired Beginning 1/1/2017
Employer Contribution as % of Salary	Up to 3% Match of Employee Contribution	Up to 2% Match of Employee Contribution	Up to 2% Match of Employee Contribution
Employee Contribution as % of Salary	Up to 3%- voluntary contribution of Salary	Up to 2%- voluntary contribution of Salary	Up to 2%- voluntary contribution of Salary
Effective Date of Employer Contribution	2 nd anniversary of hire	2 nd anniversary of hire	2 nd anniversary of hire