

## Summary of Master Services Agreement Between Tennessee Consolidated Retirement System ("TCRS") and the City of Franklin for its Closed Pension Plan

1. Services Covered by this Agreement
  - a. **Co-Investment of Assets** (Section D)- Effectively a restatement of the terms of the 12/13/16 Agreement through which TCRS will direct management of the assets of the City's closed pension plan. The City transferred assets to TCRS beginning late December 2016. As of 3/31/18, TCRS is managing 91% (\$96.7 million) of the total plan assets of \$105.7 million.
  - b. **Plan Administration Services** (Section E)- **To Begin January 1, 2019**
    - i. **Basic Payroll Services (New)**- TCRS shall make monthly benefit payments to retirees (or beneficiaries) on the last business day of the month by electronic funds transfer or to a debit card. TCRS shall provide our retirees access to customer service representatives to resolve questions regarding tax withholding, address changes, 1099-Rs, etc. TCRS shall implement annual cost of living adjustments and process refunds for members as determined by the City.
    - ii. **Benefit Calculation Services (New)**- TCRS shall provide estimates of monthly benefits utilizing processes provided by the City. Final determination of monthly benefits for new retirees or beneficiaries shall be calculated by an actuary contracted by the City.
2. Fees for Services Rendered
  - a. For Co-Investment of Assets as set forth in Group Trust Disclosure Brochure (no change from December 2016 Agreement).
  - b. For Plan Administration Services
    - i. Infrastructure/Technology Fee- \$13,360.32 annually for first three years. Total fee of \$40,080.96.
    - ii. Basic Payroll Services Fee- \$17.64 per recipient each quarter. Assuming 180 recipients, the annual payroll services fee is \$12,700.80. (City currently pays \$13,980 for similar services to US Bank.)
    - iii. At the request of the City, TCRS may provide additional active member reporting services, for example annual statements. If such services are provided, additional fees will be requested.
    - iv. At this time, TCRS does not intend to charge the City any other fees. If the City requests additional services above what is described in the Agreement, additional fees may be requested.
3. Termination- Either party may terminate by giving written notice to the other with a minimum of 60 days notice. Upon written notice of termination, the two parties are subject to a negotiated transition period to the extent necessary for the orderly transfer of assets and conversion of services.

4. Transition Items from City Administration to TCRS
- a. **Direct Deposit of all monthly payments-** Human Resources staff contacted remaining recipients of paper checks in May 2018 advising of the transition to direct deposit. HR to effect transition throughout the summer of 2018.
  - b. **Change of Payment Dates-** The City makes payments on the first business day of the month. Conversely, TCRS makes payments on the final business day. Upon transition from the City's administration to TCRS, recipients will receive payment on the first day of the month and receipt their next payment approximately 60 days later on the final day of the next month. Below are options for transitioning the change of payment dates:
    - i. **Adjust the December 2018 payment date from December 1 to December 14-** To reduce the number of days between US Bank and TCRS serving as custodial bank, the December 2018 payment is issued December 14. TCRS makes their first payment on January 31. There is a 45 day span between the November 1 and December 14<sup>th</sup> payments and the December 14<sup>th</sup> and January 31 payments. *Pro- Least amount of one-time cost to the Pension Fund. Least number of months of disruption (change) for retirees. Retirees will receive one 1099 for 2018. Con- two 45 day periods between payments for retirees. Staggering payment dates may cause confusion for some retirees.*
    - ii. **Utilize the City's internal Payroll operation to stagger additional payments in late 2018-** The City's custodial bank, US Bank, is unable to make more than one change of payment date. If additional months of staggering are preferred, the City may internalize the payment function for additional months before TCRS takes over in January 2019. For example, US Bank makes payments through September 1. City Payroll makes payments on October 9, November 16 and December 21. *Pro- reduce the number of days between payments to approximately 40 during the transition period Con- More months of disruption (change) for retirees. Retirees will receive two 1099 forms for 2018 (US Bank and City). Costs to Pension Fund for transaction fees and establishment of new fiduciary bank account during City transition period.*
    - iii. **Make a one time additional payment from the pension plan at a cost of approximately \$425,000-** US Bank makes December 1 and one-time additional transition payment on December 31. TCRS begins with January 31. *Pro- Least amount of disruption to retirees. Maintain 30 day period between payments delivered by US Bank and TCRS. Retirees receive one 1099 for 2018. Con- One time additional payment to the pension plan of approx. \$425,000. (One-time fee may be considered offset by reduced annual investment management fees of approx. \$500,000.)*