

Legislation Details (With Text)

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Title: Discussion of Transition of Monthly Payment Dates for the City of Franklin Employee Pension Plan

Sponsors: Eric Stuckey, Kristine Brock, Kevin Townsel

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DATE: June 5, 2018

TO: Board of Mayor and Aldermen

FROM: Eric Stuckey, City Administrator
Kristine Tallent, Assistant City Administrator/CFO
Kevin Townsel, Human Resources Director

SUBJECT:
Discussion of Transition of Monthly Payment Dates for the City of Franklin Employee Pension Plan

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning an issue related to the transition of monthly payment services from the City's custodial bank, U.S. Bank, to the Tennessee Consolidated Retirement System ("TCRS").

Background

In October 2016, the Board of Mayor and Aldermen voted to close the City of Franklin Employee Pension to full time employees hired on or after January 1, 2017. This group of employees, conversely, became members of the TCRS Legacy Defined Benefit Plan upon hire. In December 2016, BOMA adopted an agreement between the City and TCRS allowing for the co-investment of assets for the closed pension plan in accordance with the TCRS Investment Policy. At that time, staff of the City and TCRS began to develop a plan to transition additional administrative aspects of the closed City plan to TCRS.

The primary action item for transition of payment services is the date in which retirees and beneficiaries are paid. The City has historically paid on the first business day of the month while TCRS pays on the last business

day. At the time of transition, if no intervening steps are taken, the City's custodial bank will make its final payment to retirees on the first day of the month while TCRS, as the City's incoming paying agent, will distribute its first payment on the final business day of the next month- a span of approximately 60 days between payments.

Another option in managing this transition in the payment schedule would be to provide the retirees with an additional payment at the end of December of 2018 (assuming TCRS takes over the management of retiree payments January of 2019). This would cost the pension fund an additional \$425,000.

Financial Impact

The transition of pension payment dates was discussed by the Employee Pension Committee at its June 4th, 2018, meeting. The Committee preferred transition steps by which monthly payments are moved incrementally in the months preceding the transition to TCRS administration. Benefits of this approach are the mitigation of days between payments from 60 days down to approximately 40 days as well as the opportunity to notify retirees in writing ahead of the transition. Change of pension payment dates does not require formal approval of the Board. However, staff is advising the Board at work session and well in advance of such a transition since the change of payment dates will be a challenge, at first, for retirees who are accustomed to payment on the first of the month.

Should the Board determine that providing an additional payment to retirees would be the best option, this would require formal BOMA approval for the additional expense to the Employee Pension Fund of approximately \$425,000.

Recommendation

Staff recommends development of an orderly transition plan for change of pension payment dates from the first to last business days of the month.