



Legislation Text

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DATE: October 1, 2018

TO: Board of Mayor and Aldermen

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

SUBJECT:

Consideration of Resolution 2018-65, A Resolution of A 401(a) Defined Contribution Retirement Plan In The Form Of The ICMA Retirement Corporation Deferred Compensation Plan & Trust And a 457(B) Plan In The Form Of The ICMA Retirement Corporation Governmental Profit Sharing Plan & Trust And Engage ICMA Retirement Corporation For Third Party Administration Of Each Plan. (08/28/18 WS)

Purpose

The purpose of this memorandum is to provide information to the Franklin Board of Mayor and Aldermen (BOMA) concerning a proposal to establish a new Defined Contribution Retirement Plan for full time employees hired on or after January 1, 2017.

Background

The Board of Mayor and Aldermen voted to close the City's single employer Defined Benefit Pension Plan to new hires after December 31, 2016. Employees hired beginning January 1, 2017, are members of the multiple employer Tennessee Consolidated Retirement System ("TCRS") Legacy Defined Benefit Plan. At the time of the action, the Board was advised that there were differences in the guaranteed retirement benefits between the two plans and that in the future Staff would consider and present an option by which the Board could enhance retirement benefits for the TCRS group.

Financial Impact

The option presented to the Board is similar to a program offered by the City of Brentwood, by which the employer encourages employees to save for their retirement apart from the guaranteed benefit provided by TCRS. The proposal provides an employer dollar for dollar match of up to 2% of annual salary when the employee contributes to a qualified retirement plan. Participation is voluntary to the employee. However, the offering of an employer match, beginning at the two-year anniversary of service, is intended to encourage employees in the TCRS pension to save for retirement early in their career with the City. The cost for the employer match would be included in the annual budget appropriation.

Recommendation

Staff recommends approval of the resolution to establish the new Defined Contribution Retirement Plan.