



ITEM #14  
BOMA  
04/13/2010

## MEMORANDUM

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April 5, 2010

**TO:** Board of Mayor and Aldermen

**FROM:** City Administrator Eric S. Stuckey *ESS/LUB*

**SUBJECT:** Pension Plan Amendments

### Purpose

The purpose of this memorandum is to provide information to the Board of Mayor and Aldermen (BOMA) to consider amendments to the City of Franklin Employees Pension Plan.

### Background

Many sections of the Pension Plan have not been addressed in years, despite substantial changes in the approach to portfolio management in the pension universe. In order to make certain investments that have been recommended by our pension financial advisor and approved by the Pension Committee and the Board of Mayor and Aldermen, our Trustee (Sun Trust Bank) has requested modifications to the Plan language that will better synchronize with the Trust Agreement between the City of Franklin and SunTrust Bank. The principal change is to clarify that “investments” as well as “investment managers” may be undertaken by the Trustee on behalf of the Plan as directed by the Pension Committee and BOMA.

While we are engaging our Pension counsel to make this change, it would be efficient to also make two other changes that would benefit the City and the Pension Committee. First, the composition of the Pension Committee has not been changed since inception of the Plan. The position of Finance Director is listed as an automatic and permanent member of the committee. Since we no longer use that job title, it needs to be changed or removed. Legal staff has recommended that the Chief Financial Officer become an ex-officio member. Also, because advisory committees such as the Budget & Finance Committee have been expanded, suspended and then restructured over the last few years, and because it is certainly possible that committees may change again in the future, it is recommended that the “Finance Chair” be eliminated as an automatic voting position on the Pension Committee and replaced by an Alderman appointed by the Mayor. The composition of the Pension committee would be: two citizens recommended by the Mayor and approved by the Board, two Aldermen appointed by the Mayor, two employees covered under the plan elected by employees, and the City’s Human Resources Director.

Secondly, certain language in the Plan document has been discussed by Pension counsel as possibly unclear as to the payment for certain services that have been traditionally paid by the Trustee. Those expenses include payment of fees for: handling beneficiary payments, wire transfers, brokerage fees, managing the assets of the Plan, services rendered by the Plan’s investment advisor and investment managers, and other fees that pay for services beneficial to the current and future recipients of the Plan. An amendment is recommended that specifies that the Trustee can pay investment fees incurred on behalf of the Plan.



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FRANKLIN  
TENNESSEE

## MEMORANDUM

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In summary the following amendments are proposed for the City of Franklin Pension Plan:

1. Updating the membership of the Pension Committee (Section 1.15) to change the Board representation to two members appointed by the Mayor and converting the Chief Finance Officer to an ex-officio (non-voting) member.
2. Clarification that “investments” as well as “investment managers” may be undertaken by the Trustee on behalf of the Plan as directed by the Pension Committee and BOMA (Section 7.3(a) (10); 7.3 (a)(11);7.8(a)).
3. Clarification of language describing expenses that can be paid by the Pension (Section 8.1 (d))

### **Financial Impact**

There is no anticipated financial impact to the City.

### **Options**

BOMA may adopt the proposed amendments or leave the language in its current form.

### **Recommendation**

The proposed amendments to the City of Franklin Pension Plan are recommended for BOMA approval.

**RESOLUTION 2010-24**

**SECOND AMENDMENT TO PENSION PLAN**

WHEREAS, the City of Franklin ("City") has previously established and currently maintains the City of Franklin Employees' Pension Plan and Trust ("Plan"); and

WHEREAS, the City has determined that it is in the best interests of the City and Plan Participants to amend the Plan to change the members of the City of Franklin Employee Pension and Trust Investment Committee (the "Committee"), effective as of April 13, 2010; and

WHEREAS, the City has similarly determined that it is in the best interests of the City and Plan Participants to amend the Plan to clarify certain powers of the Committee, including the power to direct the Trustee as to the investment of Plan assets, effective as of January 1, 2010; and

WHEREAS, the Board of Alderman has been presented with a proposed Second Amendment of the Plan which, if approved, would implement the changes described immediately above; and

WHEREAS, the Board of Alderman wish to adopt and approve the proposed Second Amendment of the Plan.

**NOW THEREFORE BE IT RESOLVED**, that the Board of Mayor and Aldermen hereby approves and adopts the amendment to the Plan in substantially such form as is attached hereto.

FURTHER RESOLVED, that the Board of Mayor and Aldermen are hereby authorized to execute the Amendment to the Plan in substantially such form as is attached hereto.

FURTHER RESOLVED, that the other provisions of the Plan not affected by the amendment shall continue in full force and effect.

**ADOPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2010.**

**ATTEST:**

**CITY OF FRANKLIN, TENNESSEE**

By: \_\_\_\_\_  
**ERIC S. STUCKEY**  
**City Administrator/Recorder**

By: \_\_\_\_\_  
**JOHN C. SCHROER**  
**Mayor**

**SECOND AMENDMENT TO THE  
CITY OF FRANKLIN EMPLOYEES' PENSION PLAN**

**WHEREAS**, the City of Franklin (the "City") has previously established and currently maintains the City of Franklin Employees' Pension Plan (the "Plan"); and

**WHEREAS**, the City has retained the right to amend the Plan; and

**WHEREAS**, the Board of Mayor and Aldermen has approved the amendment of the Plan as set forth herein;

**NOW, THEREFORE**, the Plan is hereby amended in the following respects, effective as of the dates set forth below:

1. Section 1.15 of the Plan is deleted and replaced in its entirety to provide as follows, effective April 13, 2010:

**"Committee"** means the City of Franklin Employee Pension and Trust Investment Committee, consisting of the City's Human Resources Director, two (2) members of the Board appointed by the Mayor, two (2) City Employee Representatives elected by the Employee population covered by this Plan, and two (2) Citizen Representatives who shall be appointed initially by the Mayor and approved by the Board. Each Employee Representative and each Citizen Representative shall serve a term of four (4) years. These terms shall be staggered so that one (1) Employee Representative and one (1) Citizen representative begin their terms every two (2) years. These terms shall renew in years in which neither Mayoral nor Aldermanic elections occur. The term of the Human Resources Director shall never expire and shall be held by the employee currently holding the Human Resources Director position. The members of the Board shall serve at the will of the Mayor and shall be replaced either at the will of the Mayor or after the Aldermanic term has expired, whichever is sooner.

2. Section 7.3(a)(10) of the Plan is deleted and replaced in its entirety to provide as follows, effective as of January 1, 2010:

To delegate to one or more investment managers (as defined in Section 3(38) of ERISA) the authority to manage, acquire, or dispose of Plan assets and to regularly monitor the performance of any investment managers so selected, or to invest Plan assets in index funds, limited partnerships, or such other passive investments that are not actively managed by an investment manager for the Plan.

3. Section 7.3(a)(11) of the Plan is deleted and replaced in its entirety to provide as follows, effective as of January 1, 2010:

To develop and communicate to the Trustees, funding agent or investment managers the investment objectives for Plan assets, and to appoint one or more financial advisors to assist in the development of such investment objectives.

4. The last sentence of Section 7.8(a) of the Plan is deleted and replaced to provide as follows, effective as of January 1, 2010:

The Trustees shall have sole responsibility for trust administration and management of the assets held under the Trust unless (a) the investment of such assets has been directed by the Committee or the Board of Mayor and Aldermen, or (b) an investment manager has been appointed by the Committee to manage an investment fund held under the Trust.

5. The last sentence of Section 8.1(d) of the Plan is deleted and replaced in its entirety to provide as follows, effective as of January 1, 2010:

All assets of the Trust Fund shall be retained for the exclusive benefit of Participants and their Beneficiaries, shall be used to pay the benefits hereunder to such persons or to pay reasonable administrative expenses to the extent not paid by the Participating Employers (including, without limitation, such reasonable expenses as may be incurred by the Trustee, a financial advisor to the Plan, or an investment manager for the Plan), and shall not revert to or inure to the benefit of the City until the satisfaction of all Plan liabilities.

6. Except as otherwise provided in this Second Amendment, the Plan shall remain in full force and effect.

**SIGNED** this \_\_\_\_\_ day of \_\_\_\_\_, 2010, effective as of the dates set forth herein.

**ADOPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2010.**

**ATTEST:**

**CITY OF FRANKLIN, TENNESSEE**

**By:** \_\_\_\_\_  
**ERIC S. STUCKEY**  
**City Administrator/Recorder**

**By:** \_\_\_\_\_  
**JOHN C. SCHROER**  
**Mayor**