



## Meeting Agenda

### Employee Pension & Trust Committee

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Monday, September 11, 2023

1:00 PM

Board Room

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#### CALL TO ORDER

**CITIZEN COMMENTS (Open for citizens to be heard on any issue or concern, including those related to items on the agenda. Please submit a Speaker Card at the beginning of the meeting if you would like to address the Board/Commission. If you would like to speak on an agenda item, the Chair will hold your comment until the public comment period associated with the item. As provided by law, Boards/Commissions shall make no decisions or consideration of action of citizen comments for items not on the agenda, except to refer the matter to the City Administrator/Staff for administrative consideration, or to a schedule the matter for consideration at a later date. Those addressing the Board/Commission are requested to come to the microphone and identify themselves by name and address for the official record. The Chair may restrict the period for public comment, including the length of the public comment period, the number of individuals who can speak and the length of time each individual may speak. When time allows, the standard individual public comment time is two minutes.)**

**Comments on agenda items may be made in person at City Hall or by emailing [recorder@franklintn.gov](mailto:recorder@franklintn.gov) before noon on the day of the meeting. Comments will be submitted for the record.**

#### APPROVAL OF MINUTES

1. Consideration Of Approval Of Minutes  
March 27, 2023 Employee Pension & Trust Committee Meeting

**Sponsors:** Angie Johnson

#### NEW BUSINESS

2. Report Of Board Of Mayor And Alderman Actions Related To Employee Pension Items

**Sponsors:** Kristine Brock

3. Investment Report For The Quarter Ending 6/30/2023

**Sponsors:** Barry Bryant

4. Report Of The Actuary

**Sponsors:** Kevin Sullivan

5. Report From Mission Square, Administrator Of The City's Defined Contribution Retirement Plans

**Sponsors:** Trey Sizemore, Laura Hancock

**OTHER BUSINESS**

**ADJOURN**

Anyone needing accommodations due to disabilities please contact the ADA Coordinator at 615-791-3277 at least 24 hours prior to the meeting.



**Meeting Minutes**  
**Employee Pension & Trust**  
**Committee**

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**Monday, March 27, 2023**

**1:00 PM**

**Board Room**

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**CALL TO ORDER**

Chair Clyde Barnhill called the meeting to order at 01:00 PM

Board Members Present: Keith McGee, Suzanne Carter, Kris Bull, Kevin Townsel, Clyde Barnhill

Board Members Absent: Mayor Ken Moore, David McDaniel

Staff Present: Eric Stuckey, Kristine Brock, Angie Johnson

**APPROVAL OF MINUTES**

1. **Consideration Of Approval Of Minutes  
December 5, 2022 Employee Pension & Trust Committee Meeting**

Sponsors:

*A motion was made by Kevin Townsel, seconded by Kris Bull to Approve the December 5, 2022 Employee Pension & Trust Committee Minutes. The motion passed 5-0.*

**NEW BUSINESS**

2. **Investment Report For The Quarter Ending 12/31/2022**

Sponsors: Barry Bryant

*The item was acknowledged.*

3. **Report Of The Employer Contribution Rate For The Open Pension Plan Effective July 1, 2023**

Sponsors: Kristine Brock

*The item was acknowledged.*

4. **Report Of The Actuary**

Sponsors: Kevin Sullivan, Sylvain Limprevil

*The item was acknowledged.*

5. **Update On Board Of Mayor And Aldermen Action For Resolution 2022-78 (Change In Average Compensation Calculation) And Resolution 2022-79 (Cost of Living Policy)**

Sponsors: Kristine Brock

*The item was acknowledged.*

**6. Consideration Of DRAFT Resolution 2022-03, A Resolution To Adopt A Funding Policy For The Closed Pension**

**Sponsors:** Kristine Brock, Kevin Sullivan, Frank Carney

*Ms. Brock noted that item should be titled "Consideration of DRAFT Resolution 2023-03..." to reflect the year 2023, not 2022.*

*A motion was made by Kevin Townsel, seconded by Suzanne Carter to Recommend Approval of Resolution 2023-03 to the Board of Mayor and Aldermen. The motion passed 5-0.*

**7. Consideration Of DRAFT Resolution 2023-19, A Resolution Adopting The Fourth Amendment To The City Of Franklin Amended And Restated Employees Pension Plan Dated Effective As Of January 1, 2018 (Increasing The Lump Sum Threshold To \$25,000 For Terminated Vested Participants)**

**Sponsors:** Kristine Brock, Kevin Sullivan, Frank Carney

*A motion was made by Kris Bull, seconded by Suzanne Carter to Recommend Approval of Resolution 2023-19 to the Board of Mayor and Aldermen. The motion passed 5-0.*

**OTHER BUSINESS**

*The next Employee Pension & Trust Committee Meeting was scheduled for September 11, 2023 at 1:00 p.m.*

**ADJOURN**

*A motion was made by Kevin Townsel, seconded by Keith McGee to Adjourn the Meeting. The motion passed 5-0.*

Meeting Adjourned @ 2:15 PM

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Clyde Barnhill, Chair

Minutes Prepared by Sarah Schilling, Assistant Deputy City Recorder, City Administrator's Office - 8/29/2023, 11:41 AM



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**File #: 21-05166**

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**DATE:** August 30, 2023  
**TO:** Pension Committee  
**FROM:** Kristine Brock, Asst. City Administrator/CFO

**SUBJECT:**

Report Of Board Of Mayor And Alderman Actions Related To Employee Pension Items

**PURPOSE:**

The purpose of this memorandum is to provide information to the Pension Committee concerning recent actions of the Board of Mayor and Aldermen related to pension.

**BACKGROUND/STAFF COMMENTS:**

Since the Employee Pension Committee last met on March 27, 2023, the Board of Mayor and Aldermen has approved the following actions.

**FINANCIAL IMPACT:**

Resolution 2022-03, a revised Funding Policy for the City's Closed Pension Plan, was adopted by BOMA on April 25, 2023. The actuarial method of valuing assets over a 5 year period was incorporated into the actuarial report preparing for the plan year ending December 31, 2022.

Resolution 2023-29, adopted May 23, 2023, established a cost of living increase of 2.5% for recipients of the closed pension plan effective July 2023.

Resolution 2023-34, adopted May 23, 2023, adjusted the City's contribution to health care for retirees election coverage in Option II. Effective July 2023, the City's share of premiums increased from 40% to 50%.

**RECOMMENDATION:**

This item is for information purposes.

**RESOLUTION 2023-03**

**A RESOLUTION TO ADOPT A FUNDING POLICY FOR THE AMENDED AND RESTATED  
EMPLOYEES' PENSION PLAN DATED EFFECTIVE AS OF JANUARY 1, 2018**

**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 amended and restated the plan effective as of January 1, 2018; and

**WHEREAS**, the City approved that certain First Amendment to the Plan by Resolution dated the 14<sup>th</sup> day of August, 2018; and

**WHEREAS**, the City approved that certain Second Amendment to the Plan by Resolution dated the 14<sup>th</sup> day of December, 2021; and

**WHEREAS**, the City adopted on October 28, 2014, a funding policy (the "Funding Policy) for compliance with minimum requirements established in TCA 9-3-504(c), and

**WHEREAS**, the State of Tennessee Department of Treasury, in their oversight role of public pensions, periodically reviews the Funding Policy in addition to annual reviews of the Plan's actuarial valuation report; and

**WHEREAS**, upon review of letters dated December 7, 2022, and December 15, 2022, from the Department of Treasury and consultation with the City's pension counsel and actuary; and

**WHEREAS**, the Board of Mayor and Aldermen believes it is in the best interest of the City of Franklin to repeal the Funding Policy adopted October 28, 2014 and adopt an updated policy that incorporates comments from the Department of Treasury.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, AS FOLLOWS:**

**Section 1.** The valuation method of the actuarial report shall be changed to utilize the asset smoothing method. The difference between the amount actually earned and the earnings assumption for a particular year shall be amortized in level amounts. The asset smoothing period shall be five years. There shall be a corridor so that the actuarial value of assets cannot be 20% more than nor 20% less than the market value of assets existing as of the actuarial valuation date. By revising this section of the Funding Policy, the City will utilize a similar valuation method as the Tennessee Consolidated Retirement System ("TCRS").

**Section 2.** The use of mortality assumptions, which includes expected improvement in life expectancy, will be utilized for fiscal years beginning after June 15, 2024, in accordance with TCA 9-3-504(c)4.

**Section 3.** The investment earnings assumption to calculate the Actuarially Determined Contribution is established by resolution of the Board of Mayor and Aldermen and may not exceed

the TCRS earnings assumption by more than fifty (50) basis points in accordance with TCA 9-3-504(c)(5).

IT IS SO RESOLVED AND DONE on this 25<sup>th</sup> day of April, 2023.

ATTEST:

By: Eric S. Stuckey  
Eric S. Stuckey  
City Administrator

CITY OF FRANKLIN, TENNESSEE:

By: Dr. Ken Moore  
Dr. Ken Moore  
Mayor

Approved as to Form:

By: Shauna R. Billingsley  
Shauna R. Billingsley  
City Attorney

## **Funding Policy of the City of Franklin Employees' Pension Plan**

The Board of Mayor & Aldermen, as Trustees of the City of Franklin Employees' Pension Plan, hereby adopts this document for its defined benefit plan funding policy.

### **Preamble**

The intent of this funding policy is to establish a formal methodology for financing the pension obligations accruing under the City of Franklin Employees' Pension Plan. It is intended that current assets plus future assets from employer contributions, employee contributions, and investment earnings should be sufficient to finance all benefits provided by City of Franklin Employees' Pension Plan. The funding policy is intended to reflect a reasonable, conservative approach with each generation of taxpayers financing, to the greatest extent possible, the cost of pension benefits being accrued. This funding policy recognizes that there will be investment market place volatility and that actual economic and demographic experience will differ from assumed experience. Accordingly, this funding policy is intended to provide flexibility to smooth such volatility and experience in a reasonable, systematic, and financially sound manner. Further, it is the intent that that this funding policy comply with all applicable laws, rules, and regulations of the State of Tennessee and the Federal Government.

The City of Franklin Employees' Pension Plan was closed to new hires effective December 31, 2016. All full time employees of the City of Franklin hired on or after January 1, 2017 are members of the Tennessee Consolidated Retirement System ("TCRS") Legacy Defined Benefit Pension Plan. The TCRS Plan is administered by the State of Tennessee Department of Treasury and its policies are established by the TCRS Board of Trustees.

### **Components of this Funding Policy**

1. Procurement of actuarial services
2. Actuarial experience study
3. Actuarial valuation
4. Actuarial audit

### **Procurement of Actuarial Services**

City of Franklin Employees' Pension Plan shall acquire the services of professional actuarial firms to perform an actuarial experience study, an actuarial valuation, an actuarial audit, and other necessary actuarial services. Actuarial firms shall be selected by a competitive process. The actuarial firm that performs the actuarial audit shall not be the same firm that performs the actuarial valuation and the actuarial experience study. The contractual agreement with an actuarial firm shall not exceed five years. The actuarial firm shall be independent and shall act as a fiduciary on behalf of City of Franklin Employees' Pension Plan.

The lead actuaries of actuarial firms shall have the requisite experience, capabilities, strengths, and qualifications including, but not limited to, the following:

1. Member of the American Academy of Actuaries,
2. Attainment of the Fellowship of the Society of Actuaries (FSA) designation,
3. Attainment of the Enrolled Actuary (EA) designation
4. At least seven years of actuarial experience in the defined benefit field, and
5. Ineligible to participate in City of Franklin Employees' Pension Plan

### **Actuarial Experience Study**

An actuarial experience study shall be conducted at least every four years. As determined necessary by the ~~chair of the Investment Committee~~ Board of Mayor and Aldermen, assumptions may be evaluated on an interim basis.

Assumptions adopted by the Board should be established based on past experience and future expectations as the result of an extensive actuarial experience study.

Demographic assumptions to be established include, but are not limited to, the following:

1. Turnover pattern
2. Pre-retirement mortality based on expected improvement in mortality
3. Pattern of retirement
4. Post-retirement mortality with expected improvement in mortality to be phased in with future studies

Economic assumptions to be established include, but are not limited to, the following:

1. Investment earnings (net of investment expenses)
2. Salary
3. Retiree Market Price Adjustment (Adjustment for change in purchasing power)
4. Social security wage base

Economic assumptions shall include an underlying assumption for inflation.

The actuarial experience study shall also generate administrative factors including, but not limited to, the following: (1) survivorship benefit option factors, (2) social security leveling option factors, (3) early retirement reduction factors, (4) full retirement age actuarial equivalent factors, and (5) annuity factors. These factors shall be determined on a cost neutral basis.

### **Actuarial Valuation**

*Valuation method, frequency, and ADC.* An actuarial valuation to determine the Actuarially Determined Contribution (ADC) rate to finance pension obligations shall be performed annually beginning as of January 1, 2015. The valuation shall utilize the entry-age normal actuarial method. The valuation shall provide funding of at least 100% of the ADC. The ADC shall include (1) the normal cost, (2) the unfunded liability cost, and (3) the cost of administration for the operation of City of Franklin Employees' Pension Plan. The ADC shall be calculated and become applicable on first day of July that is six months following the valuation date.

*Asset smoothing method.* An asset smoothing method shall be utilized to determine the actuarial value of assets. The difference between the amount actually earned and the earnings assumption for a particular year shall be amortized in level amounts. The asset smoothing period shall be five years, for fiscal years beginning after June 30, 2023~~14~~. For fiscal years prior to July 1, 2023~~14~~, no smoothing period shall be used. However, there shall be a corridor so that the actuarial value of assets cannot be 20% more than nor 20% less than the market value of assets existing as of the actuarial valuation date.

*Amortization methodology for actuarial gains and losses.* ~~Unfunded liabilities shall be amortized utilizing the level dollar amortization method over a closed period not to exceed 20 years. A tiered approach will be utilized with new actuarial gains and losses from each actuarial valuation. Each~~

tier shall be amortized over a closed, maximum 20-year period. The amortization period may be shortened or extended from valuation to valuation but the gains and losses for a specific tier must be completely amortized within 20 years. Any extension of the amortization period for a specific tier cannot exceed the 20-year maximum less whatever time has elapsed from the beginning of the amortization period.

The unfunded liability based on the 2012~~35~~ actuarial valuation shall be funded no later than 20~~43~~<sup>35</sup>. In subsequent actuarial valuations, new tiers of actuarial gains and losses shall be amortized over a closed period not to exceed 20 years.

Actuarial gains and losses may result from (1) actual experience versus assumed experience, (2) changes in demographic and economic assumptions, and (3) changes in benefit provisions.

*Demographic data.* The demographic data in an actuarial valuation shall include: (1) all active members, (2) all inactive vested members, (3) all inactive non-vested members with an account balance, and (4) all annuitants (including beneficiary annuitants).

*Benefit provisions.* The actuarial valuation shall include all benefits being accrued by members of City of Franklin Employees' Pension Plan including, but not limited to, retirement, disability, death benefits, and post-employment market-price adjustments. The valuation shall be based on the benefit eligibility and benefit terms as set out in state law.

*Assumptions utilized.* Demographic and economic assumptions as determined by an actuarial experience study, recommended by the Employee Pension Committee~~Investment Committee~~, and adopted by the Board shall be utilized in the actuarial valuation.

The use of mortality assumptions, which includes expected improvement in life expectancy, must be utilized for fiscal years beginning after June 15, 2024 in accordance with TCA 9-3-504(4).

The investment earnings assumption to calculate the Actuarially Determined Contribution is established by resolution of the Board of Mayor and Aldermen and may not exceed the TCRS earnings assumption by more than fifty (50) basis points in accordance with TCA 9-3-504(5).

### **Actuarial Audit**

An actuarial audit by an independent actuarial audit firm shall be conducted at least once in a ten year period. The purpose of the actuarial audit shall be: (1) the validation and verification of actuarial valuation results for both funding and accounting; (2) an evaluation of the reasonableness of actuarial assumptions and methods; (3) compliance with professional standards such as generally accepted actuarial standards; and (4) compliance with state law and Board policy.

### **Transparency and Accountability**

This funding policy, the actuarial experience study, the actuarial valuation, and the actuarial audit shall be readily available for review. Accordingly, the funding policy shall be posted on the City website. Further, the actuarial experience study, the actuarial valuation, and the actuarial audit shall be maintained on the City website for a period of no less than five years after being published.

### **Effective Date**

This policy be effective upon its adoption by the Board of Mayor & Aldermen, and shall remain in

effect until amended by the Board or preempted by state law.

**RESOLUTION 2023-29**

**A RESOLUTION OF THE BOARD OF MAYOR AND ALDERMEN FOR THE CITY OF FRANKLIN EMPLOYEES' PENSION PLAN, PROVIDING A COST OF LIVING ADJUSTMENT TO THE MONTHLY BENEFIT FOR RETIRED RECIPIENTS, EFFECTIVE JULY 2023.**

**WHEREAS**, the City of Franklin periodically adopts a cost-of-living adjustment for recipients of benefits from the single employer closed City of Franklin Employees' Pension Plan ("Plan"), and

**WHEREAS**, the Board of Mayor and Aldermen wishes to approve a cost of living increase to maintain the purchasing power of retiree benefit payments,

**WHEREAS**, the Board of Mayor and Aldermen approved a Cost of Living Policy for the Plan by Resolution 2022-79, which establishes a framework for determining a rate of increase based upon the factors of 1) change in the Consumer Price Index ("CPI") as a percentage year over year, 2) the most recent funded ratio as calculated by a licensed actuary in accordance with the City's Funding Policy and actuarial best practices and 3) a maximum and minimum cost of living percentage in line with other well funded pension plans including the Tennessee Consolidated Retirement System ("TCRS") and in accordance with the State of Tennessee Public Employee Defined Benefit Financial Security Act of 2014 as codified in TCA Title 9, Chapter 3, Part 5, and

**WHEREAS**, the change in CPI for the period of March 2022 to March 2023 was 5.59% and the funded rate of the Plan as of 12/31/2022 was 78%, which in accordance with Section 1 of Resolution 2022-79 results in a cost of living increase of 2.5%.

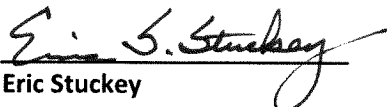
**NOW, THEREFORE, BE IT RESOLVED** by the Board of Mayor and Aldermen for the City of Franklin as follows:

**Section 1.** That the paying agent, which is currently the Tennessee Consolidated Retirement System, for the single employer closed City of Franklin Employees' Pension Plan be instructed to make effective the month of July 2023 a cost-of-living adjustment at a rate of 2.5%.

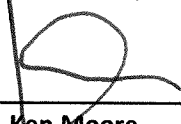
**Section 2.** That this Resolution shall be effective on July 1, 2023.

**IT IS SO RESOLVED AND DONE** on this 23<sup>rd</sup> day of May, 2023.

**ATTEST:**

By:   
Eric Stuckey  
City Administrator

**CITY OF FRANKLIN, TENNESSEE:**

By:   
Dr. Ken Moore  
Mayor

**Approved as to Form:**

*Shauna R. Billingsley*

**Shauna R. Billingsley  
City Attorney**

**RESOLUTION 2023-34**

**A RESOLUTION ADJUSTING THE CITY'S CONTRIBUTION TO HEALTH CARE COVERAGE FOR RETIREES ELECTING COVERAGE IN OPTION II**

**WHEREAS**, the City of Franklin ("City") offers an Option II Health Care Plan for its retirees, of which 30 retirees are currently enrolled; and

**WHEREAS**, the City currently contributes 40% of the monthly premium for retirees enrolled in Option II, and the contribution percentage has remained unchanged since 2019; and

**WHEREAS**, the City Administrator, Human Resources Director, Assistant City Administrator/CFO and key staff have reviewed the existing terms of Option II and recommend to the Board of Mayor and Aldermen a proposal by which the City contributes 50% of the monthly premium for retirees enrolled in Option II, which may be adjusted annually by the Human Resources Director upon this calculation; and

**WHEREAS**, the Board of Mayor and Aldermen wish to acknowledge modifications to the Option II Retiree Health Plan as proposed and believe this to be in the best interest of the City.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Mayor and Aldermen of the City of Franklin, Tennessee, that the calculation of the monthly premium for Option II Retiree Health Care include a 50% City (employer) contribution, with the remaining 50% to be borne by the retiree; and

**RESOLVED FURTHER**, that the officers and agents of the Board are hereby directed to take all such steps as may be necessary to accomplish the foregoing; and

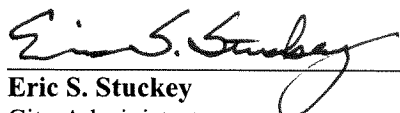
**RESOLVED FURTHER**, that the officers of the Municipality are hereby authorized and directed to take all such steps as may be necessary to accomplish the foregoing.

**IT IS SO RESOLVED** and approved this 23<sup>rd</sup> day of May, 2023.

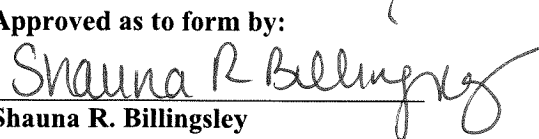
**CITY OF FRANKLIN, TENNESSEE**

  
\_\_\_\_\_  
**Dr. Ken Moore**  
Mayor

**ATTEST:**

  
\_\_\_\_\_  
**Eric S. Stuckey**  
City Administrator

**Approved as to form by:**

  
\_\_\_\_\_  
**Shauna R. Billingsley**  
City Attorney



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**File #: 21-04415**

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**DATE:** August 21, 2023  
**TO:** Pension Committee  
**FROM:** Barry Bryant

**SUBJECT:**

Investment Report For The Quarter Ending 6/30/2023

**PURPOSE:**

The purpose of this memorandum is to provide information to the Pension Committee concerning the investment report for the closed pension for the quarter ending 6/30/2023.

**BACKGROUND/STAFF COMMENTS:**

Barry Bryant of Dahab Associates will present a report on the asset valuation for the closed pension as of 6/30/2023.

**FINANCIAL IMPACT:**

Asset valuation is an important component of valuing the City's closed pension plan.

**RECOMMENDATION:**

For informational purposes only.

City of Franklin Employees'  
Pension Plan & Trust

Performance Review  
June 2023



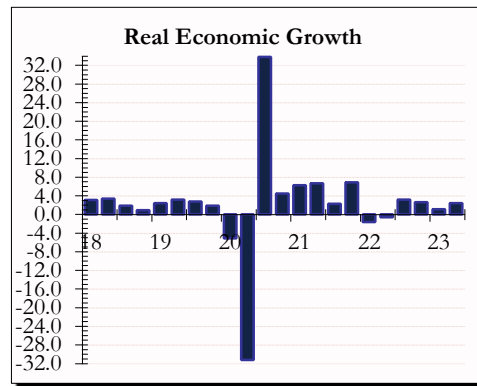
**DAHAB ASSOCIATES**

## ECONOMIC ENVIRONMENT

### Sentiment Shift

Investors entered the second quarter with heightened concerns about the possibility of a recession. However, as the quarter progressed, market participants largely became optimistic that the bear market had come to an end. The MSCI All Country World index demonstrated a substantial rise of 6.4%, resulting in a year-to-date gain of 14.3%.

Furthermore, there are positive indications of economic growth, with the second estimate of Q2 2023 GDP from the Bureau of Economic Analysis increasing at a rate of 2.1%.



Despite these encouraging signs, uncertainties persist. While inflation appears to be subsiding and corporations have largely surpassed their modest earnings expectations, the Federal Reserve remains cautious, warning of potential future rate hikes and expressing the belief that inflation has not yet been fully tamed.

As we embark on the third quarter, market outlook and sentiment are notably more positive than they have been in over a year. Nonetheless, it is essential to remain vigilant and monitor certain situations. For instance, the status of the debt ceiling is yet to be determined and could potentially impact the markets. We continue

to navigate challenges, symbolized by the metaphorical "wall of worry."

The economy and labor market have shown impressive resilience, but uncertainties persist. Labor unions are advocating for a greater share of profits amid corporations recording record earnings, and their willingness to strike poses potential risks, particularly in critical sectors like trucking and logistics.

Moreover, although inflation is receding, the effects of the Federal Reserve's unprecedented rate hikes on the economy are still uncertain. Residential real estate markets, which were initially expected to decline, have remained robust, but any downturn could rapidly impact consumer price indices.

Finally, the restart of student loan payments after a pause of over two years is a possible headwind that could influence the economy. Rising credit card debt and its potential impact on consumer budgets and discretionary company earnings need to be carefully considered. Monitoring these developments will be crucial in maintaining a comprehensive understanding of the economic landscape.

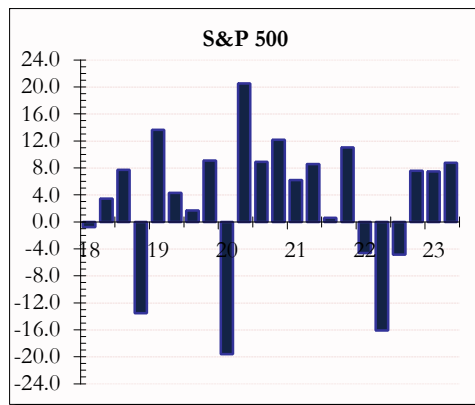
## DOMESTIC EQUITIES

### Building Momentum

The U.S. stock market continued to build off the first quarter's strong momentum and once again saw gains in the second quarter of 2023. The Russell 3000, an index that measures the broad domestic market, increased by 8.4%, while the S&P 500, which measures the performance of large-cap companies, gained 8.7%.

The Russell Mid Cap, which covers mid-cap companies, increased 4.8% and the Russell 2000, which tracks small-cap companies, gained 5.2%.

The tech-heavy Nasdaq gained 13.0% in the second quarter and had its best first half to start the year, up 32.3% as Information Technology was once again the best performing sector, up 17.2% year to date. Consumer Discretionary and Communication Services also had strong quarters, up 14.6% and 13.1% respectively, as the big seven companies continued to outperform. Apple, Microsoft, Nvidia, Alphabet, Tesla, Amazon, and Meta contributed



more than 70% of the S&P 500 Index's return in the second quarter. All in all, nine of the 11 GICs sectors saw positive returns with only Energy and Utilities finishing in the red, down -0.9% and -2.5% respectively.

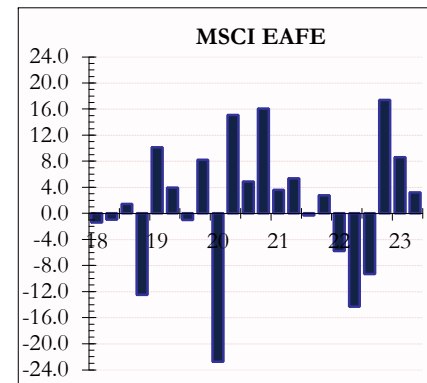
Growth stocks once again outperformed value stocks across all market capitalizations, with the largest spread in large-cap stocks. The Russell 1000 Growth finished the second quarter up 12.8% vs. 4.1% for the Russell 1000 Value, an 8.7% difference. Small cap value stocks, as measured by the Russell 2000 Value, were once again the worst performer of any of the sub-market styles. The index suffered in particular from an approximately 25% exposure

to small-cap financials, a sector that once again saw a negative return as fears continue to linger around regional banks. Regarding valuations, the gap continues to widen between large-cap companies and small-cap companies. As of June 30<sup>th</sup>, large-cap equities, using the S&P 500 as a proxy, had a trailing P/E (price-to-earnings multiple) of 23.5 while small-cap companies, using the Russell 2000 as a proxy, had a trailing P/E of 13.0.

## INTERNATIONAL EQUITIES

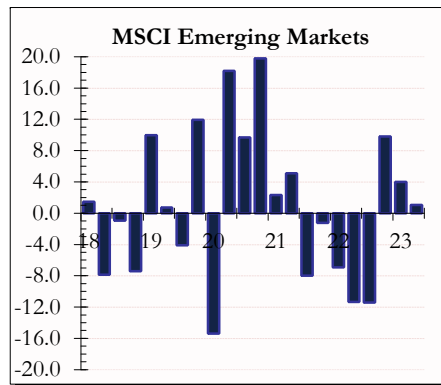
### Chugging Along

International markets continued to see gains in the second quarter of 2023, but at a slower rate than the first. The MSCI All Country World ex-US index, which tracks global markets excluding the United States, gained 2.7%.



In developed markets, the MSCI EAFE index returned 3.2%. The Far East was the strongest region, boosted by Japan's 6.4% return. The country's stock market hit its highest level in 33 years, driven by continuous buying from foreign investors since April and ongoing expectations of corporate governance reforms and structural shifts in the macro economy. European stocks showed moderate gains with France, Germany and the UK all returning between 2 and 4%. Recent data showed

that the eurozone experienced a mild recession over the winter, with GDP declines of -0.1% in both Q4 2022 and Q1 2023.



Emerging markets delivered a small gain (1.0%) over the quarter. Eastern Europe was the top region in the index at 20.3%, due to the anticipation of rate cuts as inflation eased, beginning with Hungary's cut in June. Brazil was also a top

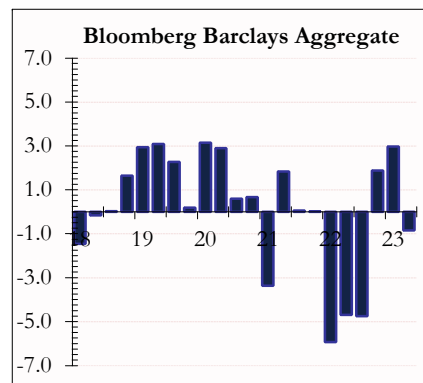
performer, returning 20.8% amid easing fiscal policy concerns, and a better-than-expected Q1 GDP print. China, the index's largest country by weighting, tempered overall performance with its -9.7% return. Tensions between the US and China were a contributing factor, as were concerns about China's economic recovery.

## BOND MARKET

### Safety is an Illusion

It was a mixed second quarter for bond investors. Funds sensitive to interest rates, such as long government and intermediate core bonds performed poorly, while lower-quality assets saw some gains. As inflation expectations fell, so did long-term yields.

The Bloomberg U.S. Aggregate Bond Index lost 0.8%, while its international counterpart the Bloomberg Global Aggregate Index fell 1.5%.



The yield on the 10-year U.S. Treasury rose to 3.8% by the end of June. Expectations of another rate hike by the Federal Reserve to tame stubbornly high inflation helped push the yield curve to its deepest inversion since

1981. Rate futures markets reflect a greater than 80% chance of a quarter-point hike in July, though there is much less conviction the Fed will proceed beyond that.

The Bloomberg Barclays High Yield Index gained 1.7%. Although investors retreated from credit-sensitive sectors as they braced for a recession, high yield bonds outperformed once again.

## CASH EQUIVALENTS

### Cash Matters Again

The three-month T-Bill returned 0.77% for the second quarter. This is the first time in 61 quarters that its return has been more than 75 basis points! Three-month treasury bills are now yielding 5.16%.

## Economic Statistics

	Current Quarter	Previous Quarter
GDP (Annualized)	2.1%	2.0%
Unemployment	3.6%	3.5%
CPI All Items Year/Year	3.0%	5.0%
Fed Funds Rate	5.0%	4.7%
Industrial Capacity Utilization	78.9%	79.5%
U.S. Dollars per Euro	1.09	1.09

## Major Index Returns

Index	Quarter	12 Months
Russell 3000	8.39	18.95
S&P 500	8.74	19.59
Russell Midcap	4.76	14.92
Russell 2000	5.20	12.31
MSCI EAFE	3.23	19.41
MSCI Emg. Markets	1.04	2.22
NCREIF ODCE	-2.68	-9.98
U.S. Aggregate	-0.84	-0.93
90 Day T-bills	0.77	1.74

## Domestic Equity Return Distributions

Quarter	Trailing Year		
	GRO	COR	VAL
LC	12.8	8.6	4.1
MC	6.2	4.8	3.9
SC	7.1	5.2	3.2

## Market Summary

- Equity markets rise
- Growth outpaces value
- Federal Reserve hesitates
- Inflation softens
- Cash has real quarterly return

## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's Composite portfolio was valued at \$149,937,052, representing an increase of \$3,001,641 from the March quarter's ending value of \$146,935,411. Last quarter, the Fund posted withdrawals totaling \$526,364, which partially offset the portfolio's net investment return of \$3,528,005. Income receipts totaling \$2,468 plus net realized and unrealized capital gains of \$3,525,537 combined to produce the portfolio's net investment return.

## **RELATIVE PERFORMANCE**

### **Total Fund**

For the second quarter, the Composite portfolio returned 2.4%, which was 0.5% below the Manager Allocation Index's return of 2.9% and ranked in the 79th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 6.1%, which was 2.4% below the benchmark's 8.5% return, ranking in the 85th percentile. Since March 2001, the portfolio returned 6.1% annualized.

### **Diversified Assets**

*Performance data for the TCRS Policy Index is based on a draft report and is subject to revision.*

The diversified assets portion of the portfolio returned 2.5% last quarter; that return was 0.4% below the Tennessee Consolidated Retirement System Policy Index's return of 2.9% and ranked in the 79th percentile of the Public Fund universe. Over the trailing twelve-month period, this component returned 6.0%, 2.4% below the benchmark's 8.4% performance, ranking in the 85th percentile.

## **Alternative Assets**

In the second quarter, the alternative assets segment returned 0.6%, which was 1.0% better than the Franklin, TN Alternative Asset Hybrid Index's return of -0.4%. Over the trailing twelve-month period, this component returned 9.1%, which was 8.5% better than the benchmark's 0.6% performance.

## **ASSET ALLOCATION**

At the end of the second quarter, diversified assets comprised 97.1% of the total portfolio (\$145.5 million), while the portfolio's alternative assets component totaled 2.2% (\$3.3 million) and cash & equivalent comprised the remaining 0.8% (\$1.1 million).

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	10 Year	Since 03/01
<b>Total Portfolio - Gross</b>	2.4	6.3	6.1	8.4	7.5	7.7	6.1
<i>PUBLIC FUND RANK</i>	(79)	(77)	(85)	(25)	(10)	(27)	----
<b>Total Portfolio - Net</b>	2.4	6.3	5.9	8.2	7.3	7.3	5.8
Manager Shadow	2.9	7.2	8.5	8.0	7.4	7.8	----
<b>Diversified Assets - Gross</b>	2.5	6.5	6.0	8.5	7.7	----	----
<i>PUBLIC FUND RANK</i>	(79)	(75)	(85)	(24)	( 8)	----	----
TCRS Policy Index	2.9	7.3	8.4	8.0	7.4	----	----
<b>Alternative Assets - Gross</b>	0.6	1.8	9.1	9.5	4.6	6.9	----
Hybrid Index	-0.4	-0.6	0.6	10.5	7.7	8.6	----
Russell 2500	5.2	8.8	13.6	12.3	6.5	9.4	9.1
NCREIF ODCE	-2.7	-5.8	-10.0	8.0	6.5	8.7	7.6
NCREIF Timber	1.7	3.5	11.1	8.7	5.8	5.9	6.2

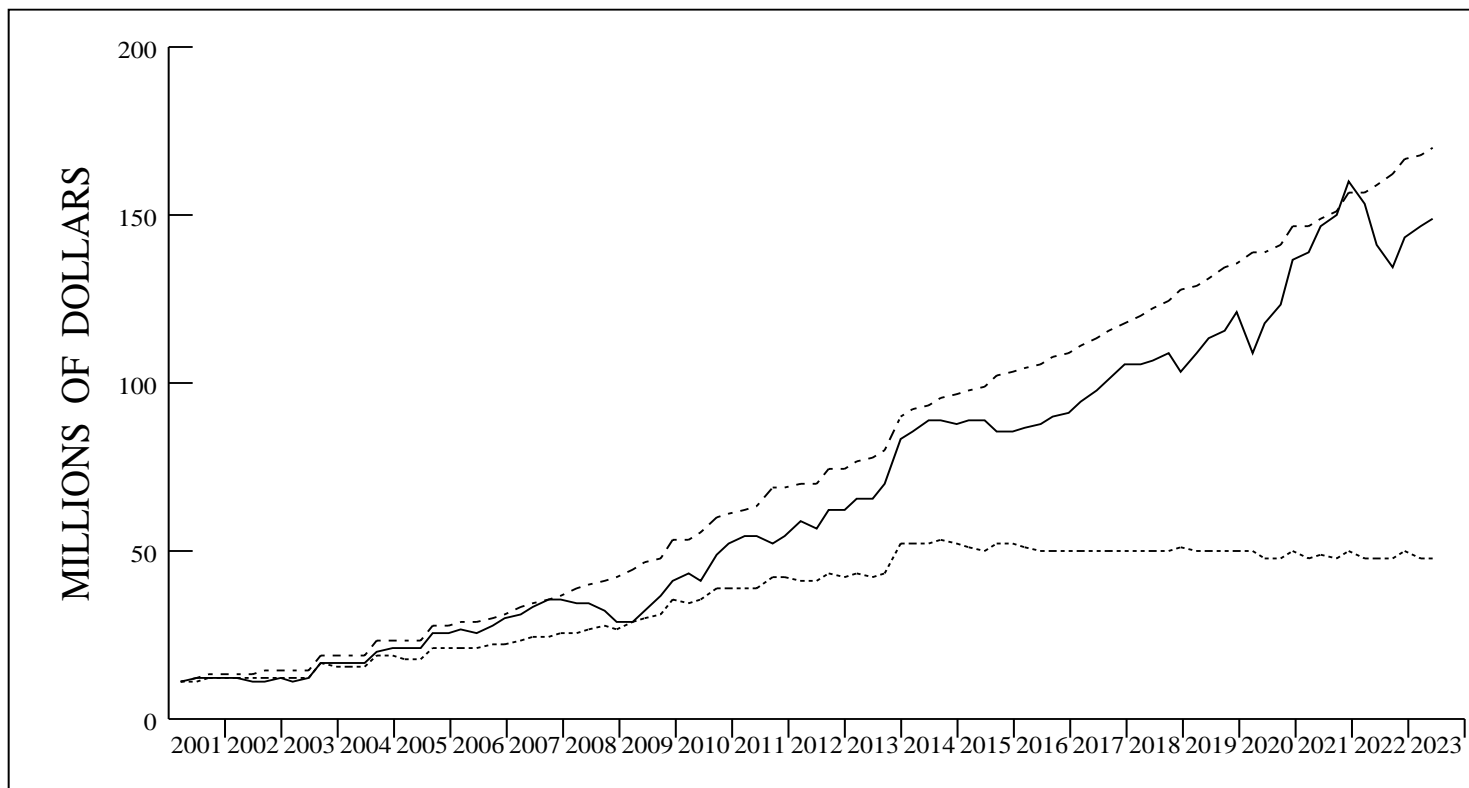
**ASSET ALLOCATION**

Diversified	97.1%	\$ 145,521,731
Alternative	2.2%	3,279,366
Cash	0.8%	1,135,955
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 149,937,052</b>

**INVESTMENT RETURN**

Market Value 3/2023	\$ 146,935,411
Contribs / Withdrawals	-526,364
Income	2,468
Capital Gains / Losses	3,525,537
Market Value 6/2023	\$ 149,937,052

**INVESTMENT GROWTH**



— ACTUAL RETURN  
 - - - BLENDED GROWTH  
 ..... 0.0%

VALUE ASSUMING  
 BLENDED GA \$ 170,521,256

	LAST QUARTER	PERIOD 3/01 - 6/23
BEGINNING VALUE	\$ 146,935,411	\$ 12,168,310
NET CONTRIBUTIONS	-526,364	35,779,877
<u>INVESTMENT RETURN</u>	<u>3,528,005</u>	<u>101,988,865</u>
ENDING VALUE	\$ 149,937,052	\$ 149,937,052
INCOME	2,468	9,397,758
<u>CAPITAL GAINS (LOSSES)</u>	<u>3,525,537</u>	<u>92,591,107</u>
INVESTMENT RETURN	3,528,005	101,988,865

**MANAGER PERFORMANCE SUMMARY - GROSS OF FEES**

Portfolio	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception
Composite	(Public Fund)	2.4 (79)	6.3 (77)	6.1 (85)	8.4 (25)	7.5 (10)	6.1 ---- 03/01
<i>Manager Shadow</i>		<i>2.9 ----</i>	<i>7.2 ----</i>	<i>8.5 ----</i>	<i>8.0 ----</i>	<i>7.4 ----</i>	<i>---- ---- 03/01</i>
TCRS	(Public Fund)	2.5 (79)	6.5 (75)	6.0 (85)	8.5 (24)	7.7 ( 8)	7.0 ( 8) 12/17
<i>TCRS Policy Index</i>		<i>2.9 ----</i>	<i>7.3 ----</i>	<i>8.4 ----</i>	<i>8.0 ----</i>	<i>7.4 ----</i>	<i>6.8 ---- 12/17</i>
Hamilton Lane SF III		0.0 ----	-3.1 ----	-11.3 ----	7.3 ----	-0.5 ----	8.2 ---- 06/13
<i>Russell 2500</i>		<i>5.2 ----</i>	<i>8.8 ----</i>	<i>13.6 ----</i>	<i>12.3 ----</i>	<i>6.5 ----</i>	<i>9.4 ---- 06/13</i>
Landmark PE		-3.5 ----	-1.7 ----	-2.0 ----	8.3 ----	5.3 ----	5.3 ---- 06/13
<i>Russell 2500</i>		<i>5.2 ----</i>	<i>8.8 ----</i>	<i>13.6 ----</i>	<i>12.3 ----</i>	<i>6.5 ----</i>	<i>9.4 ---- 06/13</i>
FIA Timber		0.6 ----	3.2 ----	8.8 ----	7.1 ----	3.5 ----	4.5 ---- 03/16
<i>NCREIF Timber</i>		<i>1.7 ----</i>	<i>3.5 ----</i>	<i>11.1 ----</i>	<i>8.7 ----</i>	<i>5.8 ----</i>	<i>5.1 ---- 03/16</i>
RMS Forest Fund III		1.0 ----	2.1 ----	22.3 ----	10.3 ----	8.1 ----	6.7 ---- 06/12
<i>NCREIF Timber</i>		<i>1.7 ----</i>	<i>3.5 ----</i>	<i>11.1 ----</i>	<i>8.7 ----</i>	<i>5.8 ----</i>	<i>6.2 ---- 06/12</i>

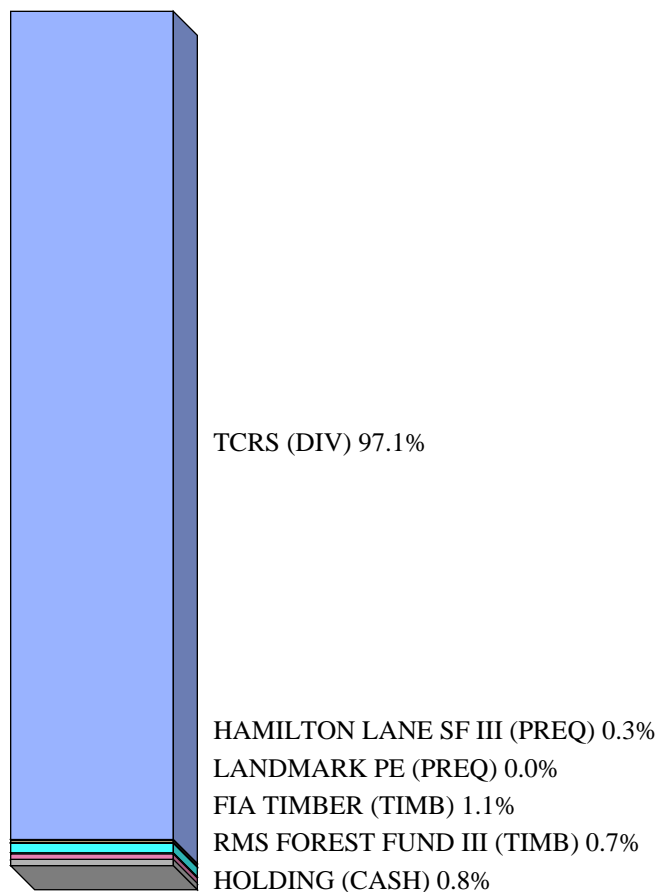
**MANAGER PERFORMANCE SUMMARY - NET OF FEES**

Portfolio	Quarter	YTD	1 Year	3 Years	5 Years	Since Inception	
Composite	2.4	6.3	5.9	8.2	7.3	5.8	03/01
<i>Manager Shadow</i>	<i>2.9</i>	<i>7.2</i>	<i>8.5</i>	<i>8.0</i>	<i>7.4</i>	<i>---</i>	<i>03/01</i>
TCRS	2.4	6.4	5.8	8.3	7.5	6.9	12/17
<i>TCRS Policy Index</i>	<i>2.9</i>	<i>7.3</i>	<i>8.4</i>	<i>8.0</i>	<i>7.4</i>	<i>6.8</i>	<i>12/17</i>
Hamilton Lane SF III	0.0	-3.5	-12.2	4.3	-2.3	5.6	06/13
<i>Russell 2500</i>	<i>5.2</i>	<i>8.8</i>	<i>13.6</i>	<i>12.3</i>	<i>6.5</i>	<i>9.4</i>	<i>06/13</i>
Landmark PE	-3.7	-2.2	-3.0	7.3	4.3	4.3	06/13
<i>Russell 2500</i>	<i>5.2</i>	<i>8.8</i>	<i>13.6</i>	<i>12.3</i>	<i>6.5</i>	<i>9.4</i>	<i>06/13</i>
FIA Timber	0.4	2.7	7.9	6.1	2.6	3.7	03/16
<i>NCREIF Timber</i>	<i>1.7</i>	<i>3.5</i>	<i>11.1</i>	<i>8.7</i>	<i>5.8</i>	<i>5.1</i>	<i>03/16</i>
RMS Forest Fund III	0.8	1.6	21.2	9.2	7.1	5.7	06/12
<i>NCREIF Timber</i>	<i>1.7</i>	<i>3.5</i>	<i>11.1</i>	<i>8.7</i>	<i>5.8</i>	<i>6.2</i>	<i>06/12</i>

## COMPLETE MANAGER PERFORMANCE SUMMARY - GROSS OF FEES

Portfolio	(Universe)	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception
Composite	(Public Fund)	3.8 (69)	3.8 (69)	-5.0 (56)	10.8 (56)	7.2 (14)	7.5 (31)	6.1 ---- 03/01
<i>Manager Shadow</i>		<i>4.2 ----</i>	<i>4.2 ----</i>	<i>-4.6 ----</i>	<i>10.6 ----</i>	<i>6.9 ----</i>	<i>7.5 ----</i>	<i>---- ---- 03/01</i>
TCRS	(Public Fund)	3.9 (65)	3.9 (65)	-5.4 (68)	11.1 (48)	7.4 (10)	---- ----	8.3 (14) 12/16
<i>TCRS Policy Index</i>		<i>4.2 ----</i>	<i>4.2 ----</i>	<i>-4.9 ----</i>	<i>10.6 ----</i>	<i>7.0 ----</i>	<i>---- ----</i>	<i>8.0 ---- 12/16</i>
Hamilton Lane SF III		-3.1 ----	-3.1 ----	-15.1 ----	4.6 ----	-0.3 ----	---- ----	8.4 ---- 06/13
<i>Russell 2500</i>		<i>3.4 ----</i>	<i>3.4 ----</i>	<i>-10.4 ----</i>	<i>19.4 ----</i>	<i>6.6 ----</i>	<i>9.1 ----</i>	<i>9.0 ---- 06/13</i>
Landmark PE		1.8 ----	1.8 ----	1.3 ----	5.8 ----	6.3 ----	5.9 ----	9.8 ---- 03/10
<i>Russell 2500</i>		<i>3.4 ----</i>	<i>3.4 ----</i>	<i>-10.4 ----</i>	<i>19.4 ----</i>	<i>6.6 ----</i>	<i>9.1 ----</i>	<i>10.3 ---- 03/10</i>
FIA Timber		2.6 ----	2.6 ----	12.1 ----	5.6 ----	4.4 ----	---- ----	4.5 ---- 03/16
<i>NCREIF Timber</i>		<i>1.8 ----</i>	<i>1.8 ----</i>	<i>11.3 ----</i>	<i>8.1 ----</i>	<i>5.5 ----</i>	<i>5.8 ----</i>	<i>5.0 ---- 03/16</i>
RMS Forest Fund III		1.1 ----	1.1 ----	22.3 ----	10.3 ----	8.2 ----	5.8 ----	6.7 ---- 06/12
<i>NCREIF Timber</i>		<i>1.8 ----</i>	<i>1.8 ----</i>	<i>11.3 ----</i>	<i>8.1 ----</i>	<i>5.5 ----</i>	<i>5.8 ----</i>	<i>6.2 ---- 06/12</i>

**MANAGER ALLOCATION SUMMARY**



Name	Market Value	Percent
TCRS (DIV)	\$145,521,731	97.1
Hamilton Lane SF III (PREQ)	\$389,952	0.3
Landmark PE (PREQ)	\$68,162	0.0
FIA Timber (TIMB)	\$1,705,063	1.1
RMS Forest Fund III (TIMB)	\$1,116,189	0.7
Holding (CASH)	\$1,135,955	0.8
<b>Total</b>	<b>\$149,937,052</b>	<b>100.0</b>

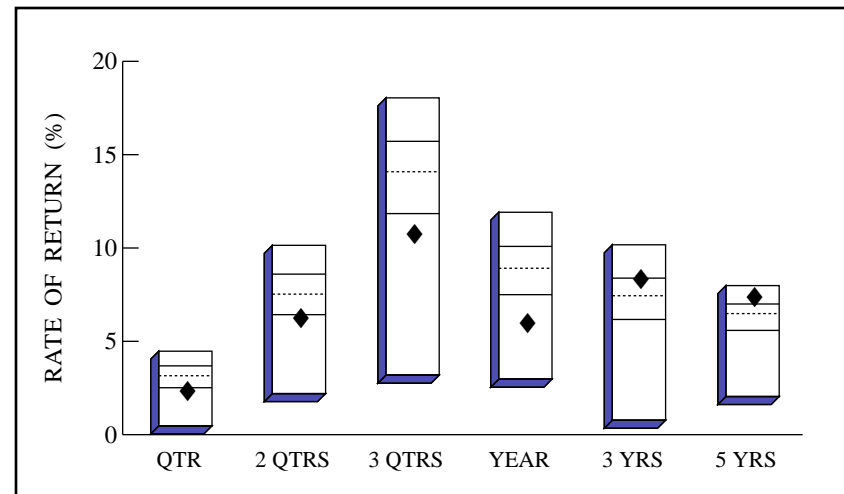
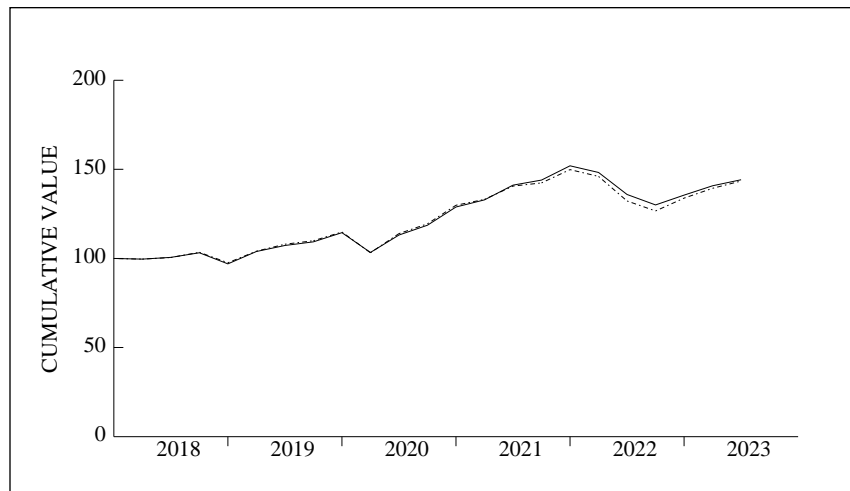
**MANAGER VALUE ADDED**

1 Quarter	Portfolio	Benchmark	1 Year
-0.4	Tennessee Consolidated Retirement System	TCRS Policy Index	-2.4
-5.2	Hamilton Lane Secondary Fund III	Russell 2500	-24.9
-8.7	Landmark Partners Equity Partners XIV, LP	Russell 2500	-15.6
-1.1	FIA Timber Growth & Value Partners	NCREIF Timber	-2.3
-0.7	RMS Forest Growth III	NCREIF Timber	11.2
-0.5	<b>Total Portfolio</b>	<b>Manager Shadow</b>	-2.4

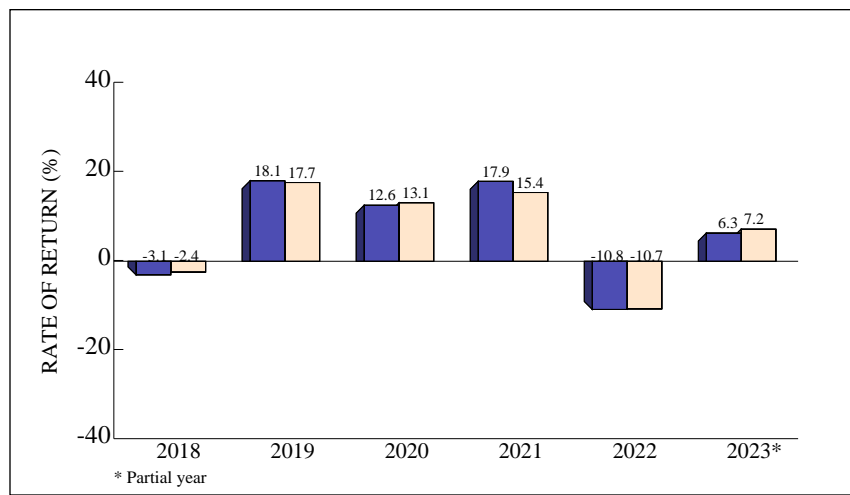
**INVESTMENT RETURN SUMMARY - ONE QUARTER**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value March 31st, 2023</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value June 30th, 2023</b>
TCRS (DIV)	2.5	143,333,268	-1,321,511	3,509,974	145,521,731
Hamilton Lane SF III (PREQ)	0.0	413,725	-23,773	0	389,952
Landmark PE (PREQ)	-3.5	75,027	-4,113	-2,752	68,162
FIA Timber (TIMB)	0.6	1,698,905	-3,925	10,083	1,705,063
RMS Forest Fund III (TIMB)	1.0	1,114,185	-6,530	8,534	1,116,189
Holding (CASH)	---	300,301	833,488	2,166	1,135,955
<b>Total Portfolio</b>	<b>2.4</b>	<b>146,935,411</b>	<b>-526,364</b>	<b>3,528,005</b>	<b>149,937,052</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe

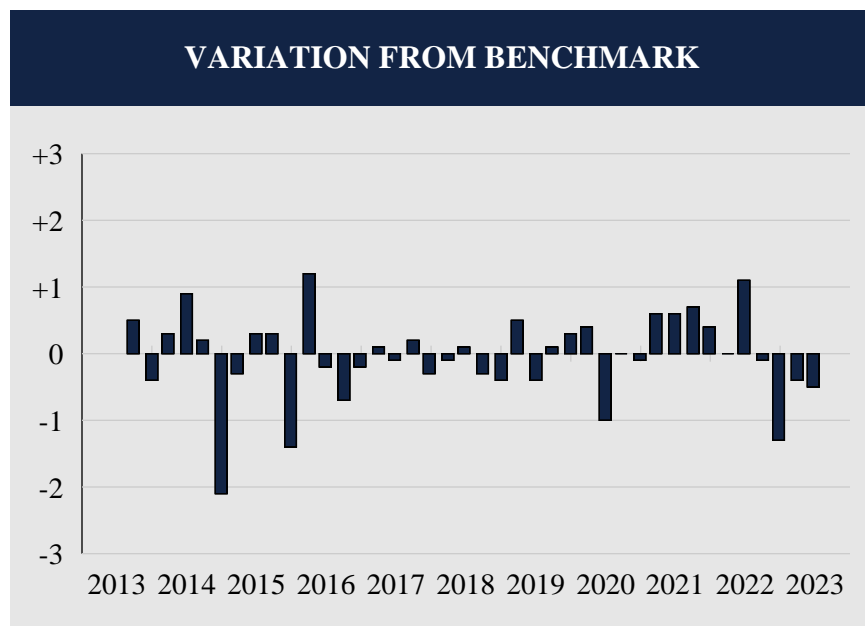


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	2.4	6.3	10.9	6.1	8.4	7.5
(RANK)	(79)	(77)	(83)	(85)	(25)	(10)
5TH %ILE	4.5	10.1	18.0	11.9	10.2	8.0
25TH %ILE	3.7	8.6	15.7	10.1	8.4	7.0
MEDIAN	3.2	7.5	14.1	8.9	7.4	6.5
75TH %ILE	2.5	6.4	11.8	7.5	6.2	5.6
95TH %ILE	0.5	2.2	3.2	3.0	0.8	2.0
<b>Manager Shadow</b>	<b>2.9</b>	<b>7.2</b>	<b>13.2</b>	<b>8.5</b>	<b>8.0</b>	<b>7.4</b>

Public Fund Universe

## TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY - 10 YEARS

COMPARATIVE BENCHMARK: MANAGER ALLOCATION INDEX



<b>Total Quarters Observed</b>	<b>40</b>
<b>Quarters At or Above the Benchmark</b>	<b>21</b>
<b>Quarters Below the Benchmark</b>	<b>19</b>
<b>Batting Average</b>	<b>.525</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
9/13	5.8	5.3	0.5	5.8	5.3	0.5
12/13	5.6	6.0	-0.4	11.8	11.6	0.2
3/14	2.0	1.7	0.3	14.1	13.5	0.6
6/14	4.6	3.7	0.9	19.3	17.7	1.6
9/14	-1.2	-1.4	0.2	17.8	16.1	1.7
12/14	0.3	2.4	-2.1	18.2	18.8	-0.6
3/15	2.1	2.4	-0.3	20.6	21.6	-1.0
6/15	0.4	0.1	0.3	21.2	21.8	-0.6
9/15	-5.8	-6.1	0.3	14.1	14.3	-0.2
12/15	1.4	2.8	-1.4	15.8	17.6	-1.8
3/16	2.7	1.5	1.2	18.9	19.3	-0.4
6/16	1.6	1.8	-0.2	20.8	21.5	-0.7
9/16	3.3	4.0	-0.7	24.8	26.4	-1.6
12/16	0.9	1.1	-0.2	25.9	27.8	-1.9
3/17	4.3	4.2	0.1	31.3	33.1	-1.8
6/17	3.3	3.4	-0.1	35.5	37.6	-2.1
9/17	3.6	3.4	0.2	40.4	42.3	-1.9
12/17	3.6	3.9	-0.3	45.5	47.8	-2.3
3/18	-0.4	-0.3	-0.1	44.9	47.3	-2.4
6/18	1.0	0.9	0.1	46.4	48.6	-2.2
9/18	2.6	2.9	-0.3	50.2	52.9	-2.7
12/18	-6.1	-5.7	-0.4	41.0	44.2	-3.2
3/19	7.2	6.7	0.5	51.1	53.8	-2.7
6/19	3.3	3.7	-0.4	56.1	59.6	-3.5
9/19	1.9	1.8	0.1	59.1	62.4	-3.3
12/19	4.7	4.4	0.3	66.5	69.6	-3.1
3/20	-9.7	-10.1	0.4	50.4	52.4	-2.0
6/20	9.4	10.4	-1.0	64.6	68.3	-3.7
9/20	4.9	4.9	0.0	72.7	76.5	-3.8
12/20	8.6	8.7	-0.1	87.5	91.9	-4.4
3/21	3.1	2.5	0.6	93.3	96.8	-3.5
6/21	6.2	5.6	0.6	105.3	107.8	-2.5
9/21	2.0	1.3	0.7	109.5	110.4	-0.9
12/21	5.6	5.2	0.4	121.2	121.5	-0.3
3/22	-2.5	-2.5	0.0	115.7	115.8	-0.1
6/22	-8.3	-9.4	1.1	97.7	95.5	2.2
9/22	-4.3	-4.2	-0.1	89.2	87.2	2.0
12/22	4.3	5.6	-1.3	97.2	97.8	-0.6
3/23	3.8	4.2	-0.4	104.8	106.0	-1.2
6/23	2.4	2.9	-0.5	109.8	112.0	-2.2

**MANAGER FEE SUMMARY - ONE QUARTER**

ALL FEES ARE ESTIMATED / ACCRUED

PORTFOLIO	MARKET VALUE	GROSS RETURN	FEE	FEE PCT	NET RETURN
TCRS (DIV)	\$145,521,731	2.5	\$46,753	0.03	2.4
Hamilton Lane SF III (PREQ)	\$389,952	0.0	\$0	0.00	0.0
Landmark PE (PREQ)	\$68,162	-3.5	\$187	0.25	-3.7
FIA Timber (TIMB)	\$1,705,063	0.6	\$3,535	0.21	0.4
RMS Forest Fund III (TIMB)	\$1,116,189	1.0	\$2,785	0.25	0.8
Holding (CASH)	\$1,135,955	----	\$0	0.00	----
<b>Total Portfolio</b>	<b>\$149,937,052</b>	<b>2.4</b>	<b>\$53,260</b>	<b>0.04</b>	<b>2.4</b>

## ANNUAL FEES

Account	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
TCRS Fund	\$ 93,249	\$ 184,607	\$ 186,097	\$ 152,287	\$ 140,741	\$ 125,209	\$ 110,451	\$ -	\$ -	\$ -	\$ -
Hamilton Lane PE	\$ 2,002	\$ 7,263	\$ 28,461	\$ 15,675	\$ 26,282	\$ 39,472	\$ 34,193	\$ 55,940	\$ 67,444	\$ 38,767	\$ 56,983
Landmark PE	\$ 381	\$ 979	\$ 1,539	\$ 1,606	\$ 1,811	\$ 2,746	\$ 3,504	\$ 3,636	\$ 5,988	\$ 5,603	\$ 2,762
FIA TIMBER	\$ 7,070	\$ 14,140	\$ 14,107	\$ 14,140	\$ 9,262	\$ 11,252	\$ 12,046	\$ 2,686	\$ 3,159	\$ -	\$ -
RMS Forest Fund III	\$ 5,548	\$ 10,396	\$ 10,511	\$ 11,294	\$ 10,887	\$ 12,883	\$ 13,886	\$ 14,936	\$ 10,487	\$ 12,332	\$ 9,414
*BTG Select Fund II	\$ -	\$ 675	\$ 1,039	\$ 1,821	\$ 8,352	\$ 9,807	\$ 11,478	\$ 12,901	\$ 15,036	\$ 16,980	\$ 14,598
*Vanguard Dev. Mkt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 535	\$ 1,926	\$ 1,946	\$ 1,166	\$ -	\$ -
*Schwab/RAFI EM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575	\$ 939	\$ 10,712	\$ 15,984	\$ 2,716
*Polen LC Growth	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,096	\$ 61,568	\$ 53,110	\$ 45,270
*CS McKee LC Value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,783	\$ 98,820	\$ 109,069	\$ 88,338
*SouthernSun Smid Cap	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,240	\$ 89,173	\$ 101,045	\$ 65,051
*Westwood EM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,350	\$ 77,805	\$ 69,051	\$ 44,377
*Bailard REIT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,063	\$ 47,222	\$ 38,418	\$ 22,361
*Longfellow Int. FI	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,080	\$ 17,874	\$ 8,532	\$ -
*Aberdeen EAFE Int'l Eq	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,606	\$ 62,187	\$ 66,977	\$ 27,375
*SSGA Fixed Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,855	\$ 6,487	\$ 5,308
*Vanguard Extd Mkt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376	\$ 2,564
*SSgA Int'l Select Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,263
Composite	\$ 108,250	\$ 218,060	\$ 241,754	\$ 196,823	\$ 197,335	\$ 201,904	\$ 188,059	\$ 580,202	\$ 615,601	\$ 542,729	\$ 384,553

\*Closed accounts

**CITY OF FRANKLIN PENSION PLAN**  
**TCRS RETURNS & ALLOCATIONS AS OF JUNE 30, 2023**

Asset Class	Qtr	1 Year	Annualized		Allocation
			3 Years	5 Years	
<b>Tennessee Consolidated Retirement System (Public Fd)</b>	<b>2.5</b>	<b>6.2</b>	<b>8.7</b>	<b>7.7</b>	<b>100.0%</b>
<i>TCRS Shadow Index<sup>1</sup></i>	2.7	8.0	8.3	7.8	
<i>Median Public Fund</i>	3.2	8.9	7.4	6.5	
North American Equity	8.0	18.0	14.1	9.0	30.2%
<i>Russell 3000</i>	8.4	19.0	13.9	11.4	
Int'l Developed Equity	3.0	19.5	9.9	5.3	11.7%
<i>MSCI EAFE</i>	3.2	19.4	9.5	4.9	
Int'l Emerging Markets Equity	5.9	11.5	10.6	4.5	3.4%
<i>MSCI Emerging Markets</i>	1.0	2.2	2.7	1.3	
Private Equity	---	-5.5	25.2	19.5	13.2%
<i>Cambridge US Private Equity<sup>2</sup></i>	---	3.2	20.2	14.6	
Real Estate	-2.0	-4.1	12.6	9.7	11.9%
<i>NCREIF NFI-ODCE</i>	-2.7	-10.0	8.0	6.5	
Strategic Lending	0.9	6.5	9.2	6.7	11.0%
<i>Strategic Lending Index<sup>3</sup></i>	2.4	9.7	0.5	4.7	
Domestic Fixed Income	-1.4	-2.8	-8.9	0.6	17.8%
<i>Bloomberg Aggregate</i>	-0.8	-0.9	-4.0	0.8	
Short Term	0.9	2.7	1.2	1.2	0.8%
<i>90 Day T-Bills</i>	0.8	1.7	0.5	1.0	

1. The shadow index was calculated using the TCRS portfolio's quarterly asset allocation and the historical returns of the benchmarks that correspond with each asset class

2. Performance for the Cambridge US Private Equity Index was unavailable at the time of this report. A return of 0.0% was assumed

3. Effective 8/1/13, benchmark is 50% Bloomberg Barclays High Yield 2% Issuer Capped / 50% Credit Suisse Leveraged Loans

## APPENDIX - MAJOR MARKET INDEX RETURNS

Equity	Style	QTR	YTD	1 Year	3 Years	5 Years	10 Years
Russell 3000	Broad Equity	8.4	16.2	19.0	13.9	11.4	12.3
S&P 500	Large Cap Core	8.7	16.9	19.6	14.6	12.3	12.9
Russell 1000	Large Cap Core	8.6	16.7	19.4	14.1	11.9	12.6
Russell 1000 Growth	Large Cap Growth	12.8	29.0	27.1	13.7	15.1	15.7
Russell 1000 Value	Large Cap Value	4.1	5.1	11.5	14.3	8.1	9.2
Russell 2000	Small Cap	5.2	8.1	12.3	10.8	4.2	8.2
Russell 2000 Growth	Small Cap Growth	7.1	13.6	18.5	6.1	4.2	8.8
Russell 2000 Value	Small Cap Value	3.2	2.5	6.0	15.4	3.5	7.3
MSCI EAFE	Developed Markets	3.2	12.1	19.4	9.5	4.9	5.9
MSCI EAFE Growth	Developed Markets Growth	2.9	14.5	20.6	6.6	5.8	6.8
MSCI EAFE Value	Developed Markets Value	3.5	9.9	18.2	12.1	3.6	4.8
MSCI Emerging Markets	Emerging Markets	1.0	5.1	2.2	2.7	1.3	3.3
MSCI All Country World	Global Equity	6.3	14.3	17.1	11.5	8.6	9.3
MSCI All Country World ex US	Global Equity (ex. US)	2.7	9.9	13.3	7.7	4.0	5.2
Fixed Income	Style	QTR	YTD	1 Year	3 Years	5 Years	10 Years
Bloomberg Aggregate Index	Core Fixed Income	-0.8	2.1	-0.9	-4.0	0.8	1.5
Bloomberg Gov/Credit	Gov/Credit	-0.9	2.2	-0.7	-4.1	1.0	1.7
Bloomberg Gov't Bond	Treasuries	-1.4	1.6	-2.1	-4.1	0.9	1.2
Bloomberg Credit Bond	Corporate Bonds	-0.3	3.1	1.4	-2.3	2.4	2.9
Intermediate Aggregate	Core Intermediate	-0.8	1.6	-0.6	-2.9	0.8	1.3
Intermediate Gov/Credit	Gov / Credit Intermediate	-0.8	1.5	-0.1	-2.5	1.2	1.4
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.6	1.0	0.0	-1.1	0.9	0.7
Bloomberg Global Treasury Ex US	International Treasuries	-1.8	1.6	-0.7	-6.4	-2.8	-0.9
Bloomberg Global Government Bond	International Fixed Income	-2.4	0.5	-2.5	-5.7	-1.8	-0.4
Bloomberg Global Aggregate	International Fixed Income	-1.5	1.4	-1.3	-5.0	-1.1	0.2
Bloomberg Global Aggregate Ex US	International Fixed Income	-2.2	0.8	-1.8	-5.8	-2.6	-0.9
Alternative Assets	Style	QTR	YTD	1 Year	3 Years	5 Years	10 Years
MSCI US REIT Index	REITs	2.7	5.5	-0.1	8.9	4.0	6.1
NCREIF NFI-ODCE Index	Real Estate	-2.7	-5.8	-10.0	8.0	6.5	8.7
NCREIF Timber Index	Timber	1.7	3.5	11.1	8.7	5.8	5.9
Bloomberg Commodity Index	Commodities	-2.6	-7.8	-9.6	17.8	4.7	-1.0
HFRI FOF Composite	Hedge Funds	1.5	2.7	4.1	5.2	3.4	3.4

**APPENDIX - DISCLOSURES**

\* The manager shadow index is a passive benchmark that was calculated by weighting each manager's preceding quarter's weight by that manager's current-quarter benchmark return.

\* Performance data provided by TCRS is preliminary and subject to revision.

\* The TCRS policy index is a policy-weighted passive index that was constructed as follows:

For all periods since July 1, 2021

31% S&P 1500 Index	2% S&P TSX 60 Index
13% MSCI EAFE IMI net Index	4% MSCI Emerging Markets Net -0.5%
25% FTSE LPF Index	10% NCREIF 1Q Lagged Index
7% Cambridge US PE 1Q Lagged Index	7% Strategic Lending Index
1% 90 Day T-Bill Index	

For all periods from April 1, 2019 to June 30, 2021

31% S&P 1500 Index	2% S&P TSX 60 Index
13% MSCI EAFE IMI net Index	4% MSCI Emerging Markets Net Index
25% FTSE LPF Index	10% NCREIF 1Q Lagged Index
7% Cambridge US PE 1Q Lagged Index	7% Strategic Lending Index
1% 90 Day T-Bill Index	

For all periods from January 1, 2017 to March 31, 2019

31% S&P 1500 Index	2% S&P TSX 60 Index
13% MSCI EAFE IMI net Index	4% MSCI Emerging Markets Net Index
25% FTSE LPF Index	10% NCREIF 1Q Lagged Index
7% S&P 500 +3% Index	7% Strategic Lending Index
1% 90 Day T-Bill Index	

\* The Alternative Assets Hybrid Index is a passive index that was constructed as follows:

16.67% Cambridge PE	41.67% NCREIF ODCE	41.67% NCREIF Timber
---------------------	--------------------	----------------------

**APPENDIX - DISCLOSURES**

- \* The blended growth assumption rate uses an annual rate of 8.0% through December 31, 2005, then 7.75% through December 31, 2008, then 7.5% through December 31, 2017, then 7.4% through December 31, 2018, then 7.3% through December 31, 2019, then 7.2% through December 31, 2020, then 7.1% through December 31, 2021, and then 7.0% thereafter.
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* Dahab Associates uses the modified duration measure to present average duration.
- \* All values are in US dollars.

FRANKLIN EMPLOYEES' PENSION PLAN & TRUST  
TENNESSEE CONSOLIDATED RETIREMENT SYSTEM  
PERFORMANCE REVIEW  
JUNE 2023

**DAHAB** Associates, Inc.  
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## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's Tennessee Consolidated Retirement System portfolio was valued at \$145,521,731, representing an increase of \$2,188,463 from the March quarter's ending value of \$143,333,268. Last quarter, the Fund posted withdrawals totaling \$1,321,511, which offset the portfolio's net investment return of \$3,509,974. Since there were no income receipts for the second quarter, the portfolio's net investment return figure was the product of net realized and unrealized capital gains totaling \$3,509,974.

## **RELATIVE PERFORMANCE**

*Performance information for the TCRS policy index is provided quarterly by the Verus draft report and is subject to revision.*

During the second quarter, the Tennessee Consolidated Retirement System portfolio returned 2.5%, which was 0.4% below the Tennessee Consolidated Retirement System Policy Index's return of 2.9% and ranked in the 79th percentile of the Public Fund universe. Over the trailing twelve-month period, this portfolio returned 6.0%, which was 2.4% below the benchmark's 8.4% performance, and ranked in the 85th percentile. Since December 2017, the account returned 7.0% per annum and ranked in the 8th percentile. For comparison, the Tennessee Consolidated Retirement System Policy Index returned an annualized 6.8% over the same time frame.

## **ASSET ALLOCATION**

The account was fully invested in Tennessee Consolidated Retirement System at the end of the quarter.

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	Since 12/17
<b>Total Portfolio - Gross</b>	2.5	6.5	6.0	8.5	7.7	7.0
<i>PUBLIC FUND RANK</i>	(79)	(75)	(85)	(24)	( 8)	( 8)
<b>Total Portfolio - Net</b>	2.4	6.4	5.8	8.3	7.5	6.9
TCRS Policy Index	2.9	7.3	8.4	8.0	7.4	6.8
<b>Diversified Assets - Gross</b>	2.5	6.5	6.0	8.5	7.7	7.0
<i>PUBLIC FUND RANK</i>	(79)	(75)	(85)	(24)	( 8)	( 8)
TCRS Policy Index	2.9	7.3	8.4	8.0	7.4	6.8

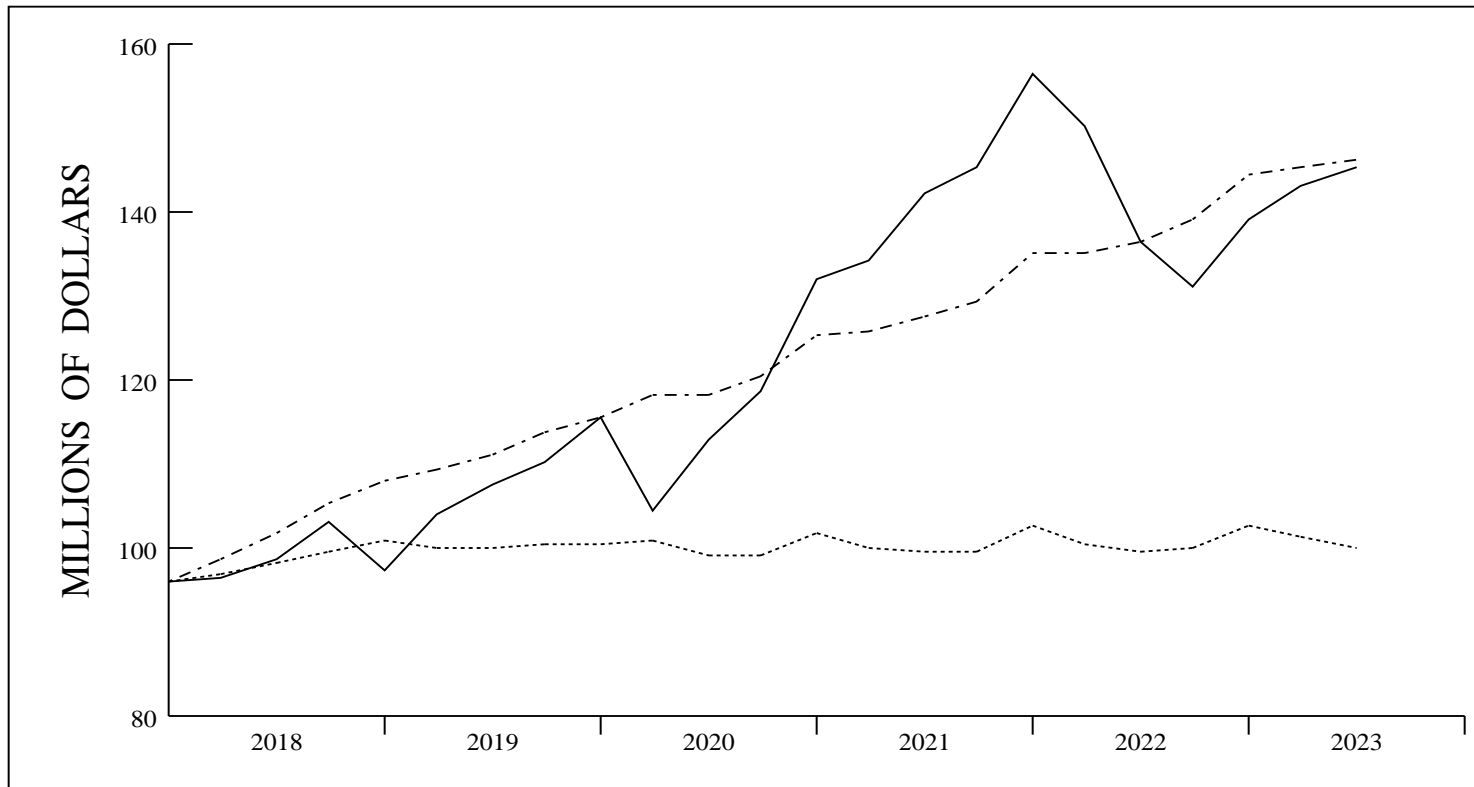
**ASSET ALLOCATION**

Diversified	100.0%	\$ 145,521,731
Total Portfolio	100.0%	\$ 145,521,731

**INVESTMENT RETURN**

Market Value 3/2023	\$ 143,333,268
Contribs / Withdrawals	- 1,321,511
Income	0
Capital Gains / Losses	3,509,974
Market Value 6/2023	\$ 145,521,731

**INVESTMENT GROWTH**

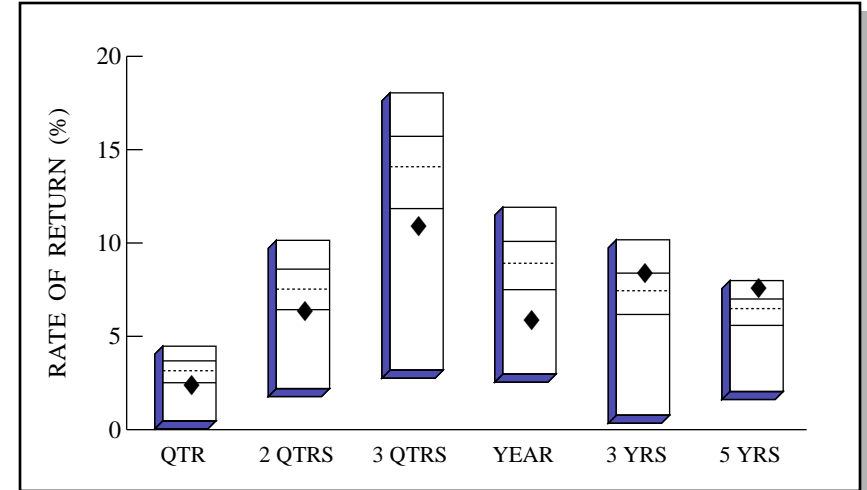
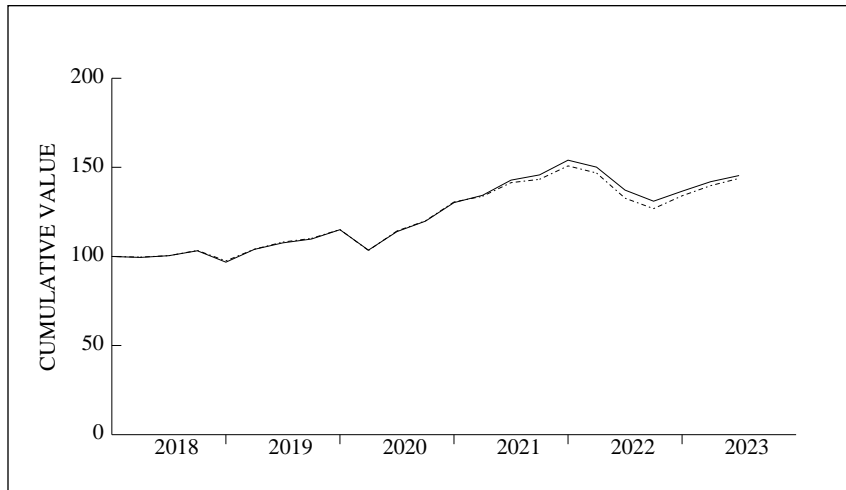


— ACTUAL RETURN  
 - - - - - BLENDED GROWTH  
 ..... 0.0%

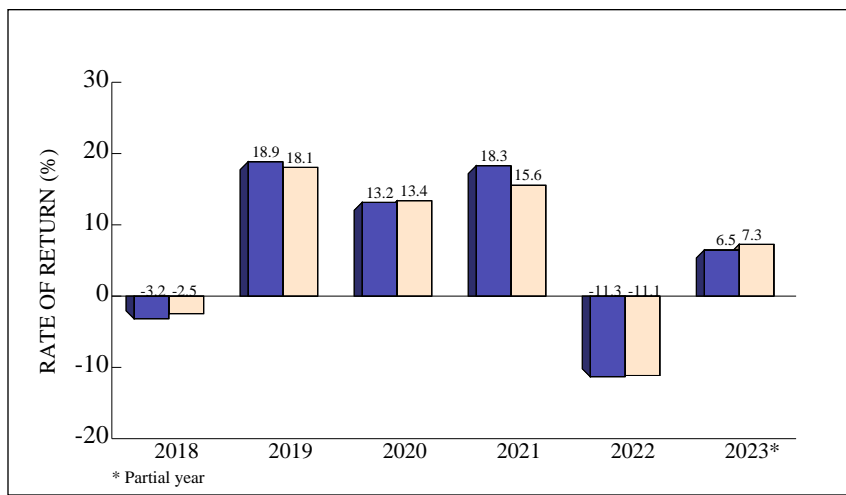
VALUE ASSUMING  
 BLENDED GA \$ 146,575,666

	LAST QUARTER	PERIOD 12/17 - 6/23
BEGINNING VALUE	\$ 143,333,268	\$ 96,156,170
NET CONTRIBUTIONS	- 1,321,511	3,938,720
<u>INVESTMENT RETURN</u>	<u>3,509,974</u>	<u>45,426,841</u>
ENDING VALUE	\$ 145,521,731	\$ 145,521,731
INCOME	0	53
<u>CAPITAL GAINS (LOSSES)</u>	<u>3,509,974</u>	<u>45,426,788</u>
INVESTMENT RETURN	3,509,974	45,426,841

**TOTAL RETURN COMPARISONS**



Public Fund Universe



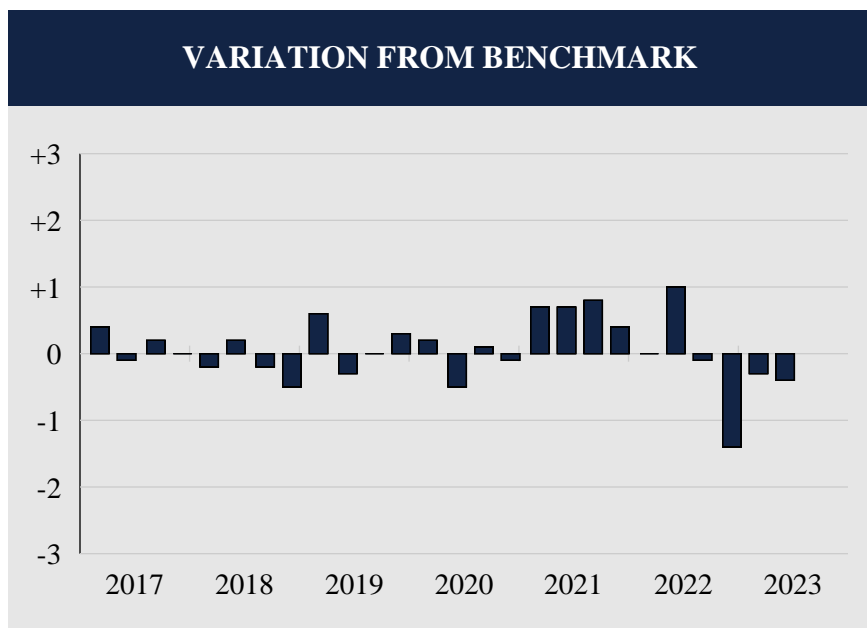
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	2.5	6.5	11.0	6.0	8.5	7.7
(RANK)	(79)	(75)	(82)	(85)	(24)	(8)
5TH %ILE	4.5	10.1	18.0	11.9	10.2	8.0
25TH %ILE	3.7	8.6	15.7	10.1	8.4	7.0
MEDIAN	3.2	7.5	14.1	8.9	7.4	6.5
75TH %ILE	2.5	6.4	11.8	7.5	6.2	5.6
95TH %ILE	0.5	2.2	3.2	3.0	0.8	2.0
<b>TCRS Policy Idx</b>	<b>2.9</b>	<b>7.3</b>	<b>13.3</b>	<b>8.4</b>	<b>8.0</b>	<b>7.4</b>

Public Fund Universe

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: TENNESSEE CONSOLIDATED RETIREMENT SYSTEM POLICY INDEX



<b>Total Quarters Observed</b>	<b>26</b>
<b>Quarters At or Above the Benchmark</b>	<b>15</b>
<b>Quarters Below the Benchmark</b>	<b>11</b>
<b>Batting Average</b>	<b>.577</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/17	4.6	4.2	0.4	4.6	4.2	0.4
6/17	3.3	3.4	-0.1	8.0	7.7	0.3
9/17	3.6	3.4	0.2	11.9	11.3	0.6
12/17	3.9	3.9	0.0	16.3	15.7	0.6
3/18	-0.6	-0.4	-0.2	15.6	15.3	0.3
6/18	1.0	0.8	0.2	16.8	16.2	0.6
9/18	2.7	2.9	-0.2	20.0	19.6	0.4
12/18	-6.2	-5.7	-0.5	12.6	12.8	-0.2
3/19	7.4	6.8	0.6	20.9	20.4	0.5
6/19	3.5	3.8	-0.3	25.2	25.0	0.2
9/19	1.9	1.9	0.0	27.6	27.4	0.2
12/19	4.8	4.5	0.3	33.8	33.2	0.6
3/20	-10.0	-10.2	0.2	20.4	19.6	0.8
6/20	10.1	10.6	-0.5	32.5	32.2	0.3
9/20	5.1	5.0	0.1	39.3	38.8	0.5
12/20	8.7	8.8	-0.1	51.4	51.0	0.4
3/21	3.2	2.5	0.7	56.2	54.8	1.4
6/21	6.4	5.7	0.7	66.1	63.6	2.5
9/21	2.1	1.3	0.8	69.5	65.7	3.8
12/21	5.7	5.3	0.4	79.1	74.5	4.6
3/22	-2.6	-2.6	0.0	74.5	69.9	4.6
6/22	-8.6	-9.6	1.0	59.5	53.5	6.0
9/22	-4.5	-4.4	-0.1	52.3	46.8	5.5
12/22	4.3	5.7	-1.4	58.8	55.1	3.7
3/23	3.9	4.2	-0.3	65.0	61.6	3.4
6/23	2.5	2.9	-0.4	69.1	66.4	2.7

**APPENDIX - DISCLOSURES**

- \* The TCRS Shadow Index is a customized index that matches the TCRS portfolio's asset allocation on a quarterly basis.

This index was calculated using the following asset classes and corresponding benchmarks:

North American Equity	Russell 3000
Developed Markets Equity	MSCI EAFE
Emerging Markets Equity	MSCI Emerging Markets
Private Equity	Cambridge U.S. Private Equity
Real Estate	NCREIF-ODCE
Strategic Lending	TCRS Strategic Lending Index (provided by TCRS)
Inflation Hedged Bond	US TIPS
US Fixed Income	Bloomberg Aggregate

- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* Dahab Associates uses the modified duration measure to present average duration.
- \* All values are in US dollars.

FRANKLIN EMPLOYEES' PENSION PLAN & TRUST  
HAMILTON LANE - SECONDARY FUND III  
PERFORMANCE REVIEW  
JUNE 2023

**DAHAB** Associates, Inc.  
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## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's Hamilton Lane Secondary Fund III portfolio was valued at \$389,952, a decrease of \$23,773 from the March ending value of \$413,725. Last quarter, the account recorded total net withdrawals of \$23,773 in contrast to flat net investment returns. Because there were no income receipts or capital gains or losses for the period, there were no net investment returns.

## **RELATIVE PERFORMANCE**

### **Total Fund**

*Performance for the portfolio was unavailable at the time of this report. A return of 0.0% was assumed.*

Over the trailing year, the portfolio returned -11.3%, which was 24.9% below the benchmark's 13.6% return. Since June 2013, the portfolio returned 8.2% annualized, while the Russell 2500 returned an annualized 9.4% over the same period.

## **ASSET ALLOCATION**

The portfolio was fully invested in the Hamilton Lane Secondary III L.P. at the end of the quarter.

**Private Equity Investor Report**  
**Hamilton Lane Secondary Fund III LP**  
**June 30, 2023**

<b>Market Value*</b>	\$	<b>389,952</b>	Last Appraisal Date	6/30/2023
Initial Commitment	\$	4,000,000		
Paid-in Capital	\$	3,128,628	78.22%	
Recallable Distributions	\$	(757,412)	-18.94%	
Remaining Commitment	\$	1,628,784	40.72%	
Net Gain/(Loss)	\$	625,798		
<b>Client Return</b>	IRR	9.7%		
<b>Fund Return</b>	IRR	11.3%	MSCI World PME	8.8% (Source: Hamilton Lane)

<b>Date</b>	<b>Paid-in Capital</b>	<b>% of Commitment</b>	<b>Recallable Distributions</b>	<b>% of Commitment</b>	<b>Non-Recallable Distributions</b>
2013	708,138	17.70%	(65,536)	-1.64%	(31,441)
2014	1,020,393	25.51%	(260,330)	-6.51%	(222,894)
2015	1,122,352	28.06%	(277,426)	-6.94%	(429,881)
2016	32,914	0.82%	(154,120)	-3.85%	(81,305)
2017	220,185	5.50%	-	0.00%	(587,241)
2018	12,323	0.31%	-	0.00%	(353,812)
2019	12,323	0.31%	-	0.00%	(709,765)
2020	-	0.00%	-	0.00%	(201,023)
1/25/2021	-	0.00%	-	0.00%	(64,680)
3/29/2021	-	0.00%	-	0.00%	(79,484)
6/3/2021	-	0.00%	-	0.00%	(156,089)
8/13/2021	-	0.00%	-	0.00%	(63,770)
11/2/2021	-	0.00%	-	0.00%	(134,099)
1/21/2022	-	0.00%	-	0.00%	(90,258)
3/21/2022	-	0.00%	-	0.00%	(44,383)
9/22/2022	-	0.00%	-	0.00%	(43,796)
12/29/2022	-	0.00%	-	0.00%	(27,171)
2/3/2023	-	0.00%	-	0.00%	(19,609)
4/6/2023	-	0.00%	-	0.00%	(23,773)
<b>Total</b>	<b>\$ 3,128,628</b>	<b>78.22%</b>	<b>\$ (757,412)</b>	<b>-18.94%</b>	<b>\$ (3,364,474)</b>

\*Market value as of last appraisal date adjusted for current quarter distributions

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	Since 06/13
<b>Total Portfolio - Gross</b>	0.0	-3.1	-11.3	7.3	-0.5	8.2
<b>Total Portfolio - Net</b>	0.0	-3.5	-12.2	4.3	-2.3	5.6
Russell 2500	5.2	8.8	13.6	12.3	6.5	9.4
<b>Alternative Assets - Gross</b>	0.0	-3.1	-11.3	7.3	-0.5	8.2
Russell 2500	5.2	8.8	13.6	12.3	6.5	9.4

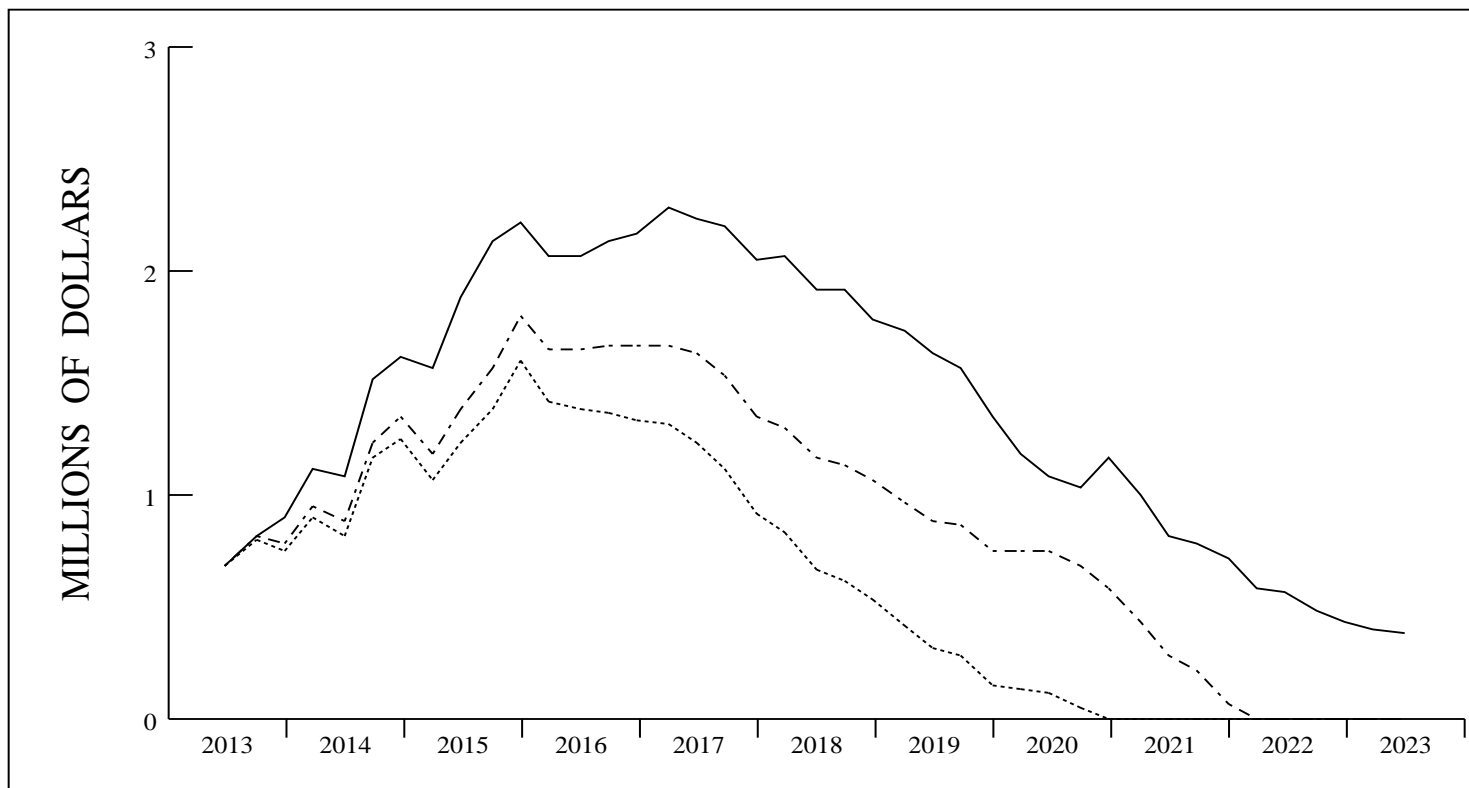
**ASSET ALLOCATION**

Alternative	100.0%	\$ 389,952
Total Portfolio	100.0%	\$ 389,952

**INVESTMENT RETURN**

Market Value 3/2023	\$ 413,725
Contribs / Withdrawals	- 23,773
Income	0
Capital Gains / Losses	0
Market Value 6/2023	\$ 389,952

**INVESTMENT GROWTH**



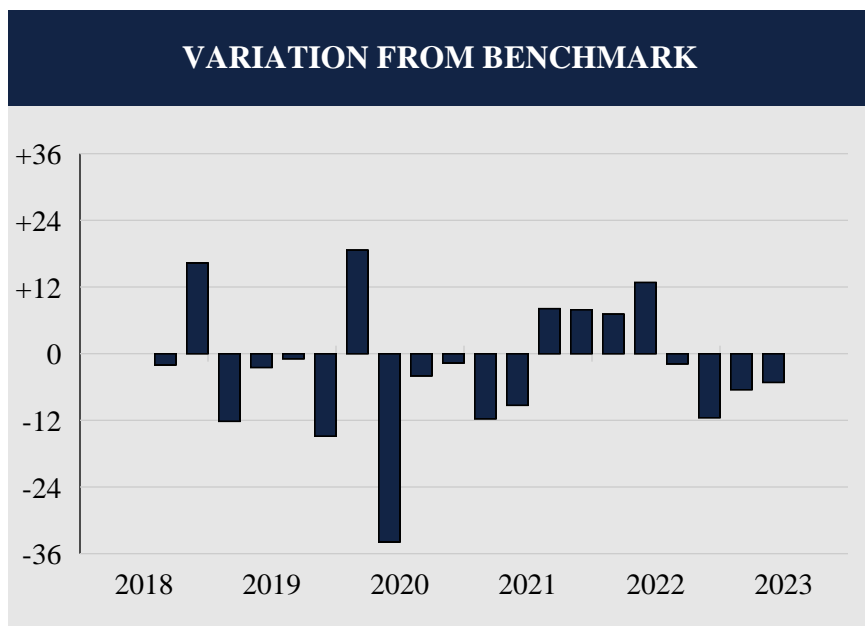
— ACTUAL RETURN  
 - - - BLENDED GROWTH  
 ..... 0.0%

VALUE ASSUMING  
 BLENDED GA \$ -186,776

	LAST QUARTER	PERIOD 6/13 - 6/23
BEGINNING VALUE	\$ 413,725	\$ 692,537
NET CONTRIBUTIONS	- 23,773	- 1,541,537
<u>INVESTMENT RETURN</u>	<u>0</u>	<u>1,238,952</u>
ENDING VALUE	\$ 389,952	\$ 389,952
INCOME	0	0
<u>CAPITAL GAINS (LOSSES)</u>	<u>0</u>	<u>1,238,952</u>
INVESTMENT RETURN	0	1,238,952

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY**

**COMPARATIVE BENCHMARK: RUSSELL 2500**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>6</b>
<b>Quarters Below the Benchmark</b>	<b>14</b>
<b>Batting Average</b>	<b>.300</b>

<b>RATES OF RETURN</b>						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
9/18	2.7	4.7	-2.0	2.7	4.7	-2.0
12/18	-2.2	-18.5	16.3	0.5	-14.7	15.2
3/19	3.6	15.8	-12.2	4.1	-1.2	5.3
6/19	0.5	3.0	-2.5	4.7	1.7	3.0
9/19	-2.2	-1.3	-0.9	2.4	0.4	2.0
12/19	-6.4	8.5	-14.9	-4.1	9.0	-13.1
3/20	-11.1	-29.7	18.6	-14.7	-23.4	8.7
6/20	-7.3	26.6	-33.9	-21.0	-3.1	-17.9
9/20	1.9	5.9	-4.0	-19.5	2.6	-22.1
12/20	25.7	27.4	-1.7	1.2	30.8	-29.6
3/21	-0.8	10.9	-11.7	0.3	45.1	-44.8
6/21	-3.9	5.4	-9.3	-3.6	53.0	-56.6
9/21	5.4	-2.7	8.1	1.6	48.9	-47.3
12/21	11.7	3.8	7.9	13.5	54.6	-41.1
3/22	1.3	-5.8	7.1	15.0	45.6	-30.6
6/22	-4.2	-17.0	12.8	10.2	20.9	-10.7
9/22	-4.6	-2.8	-1.8	5.1	17.4	-12.3
12/22	-4.1	7.4	-11.5	0.8	26.2	-25.4
3/23	-3.1	3.4	-6.5	-2.3	30.4	-32.7
6/23	0.0	5.2	-5.2	-2.3	37.3	-39.6

FRANKLIN EMPLOYEES' PENSION PLAN & TRUST  
LANDMARK PARTNERS - EQUITY PARTNERS XIV, LP  
PERFORMANCE REVIEW  
JUNE 2023

**DAHAB** Associates, Inc.  
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## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's Landmark Partners Equity Partners XIV, LP portfolio was valued at \$68,162, a decrease of \$6,865 from the March ending value of \$75,027. Last quarter, the account recorded total net withdrawals of \$4,113 in addition to \$2,752 in net investment losses. Because there were no income receipts during the second quarter, the portfolio's net investment losses were entirely made up of capital losses (realized and unrealized).

## **RELATIVE PERFORMANCE**

### **Total Fund**

During the second quarter, the Landmark Partners Equity Partners XIV, LP portfolio returned -3.5%, which was 8.7% below the Russell 2500 Index's return of 5.2%. Over the trailing year, the account returned -2.0%, which was 15.6% below the benchmark's 13.6% return. Since June 2013, the portfolio returned 5.3% per annum, while the Russell 2500 returned an annualized 9.4% over the same time frame.

## **ASSET ALLOCATION**

The portfolio was fully invested in the Landmark Equity Partners XIV, L.P. at the end of the quarter.

**Private Equity Investor Report**  
**Landmark Equity Partners XIV, L.P.**  
**June 30, 2023**

<b>Market Value</b>	<b>\$ 68,162</b>	Last Appraisal Date: 6/30/2023	
Initial Commitment	\$ 1,000,000		
Paid-in Capital	\$ 972,151	97.22%	
Remaining Commitment	\$ 27,849	2.78%	
Net Gain/(Loss)	\$ 309,596		
Net IRR Since Inception	9.3%		

<b>Date</b>	<b>Paid-in Capital</b>	<b>% of</b>	
		<b>Commitment</b>	<b>Distributions</b>
2010	\$ 131,280	13.13%	\$ (15,079)
2011	\$ 252,157	25.22%	\$ (65,346)
2012	\$ 220,497	22.05%	\$ (102,786)
2013	\$ 173,030	17.30%	\$ (168,237)
2014	\$ 104,551	10.46%	\$ (186,055)
2015	\$ 42,099	4.21%	\$ (164,044)
2016	\$ 11,084	1.11%	\$ (89,931)
2017	\$ 27,674	2.77%	\$ (119,286)
2018	\$ 6,530	0.65%	\$ (128,425)
2019	\$ 2,018	0.20%	\$ (49,460)
2020	\$ 601	0.06%	\$ (13,551)
1/29/2021	\$ -	0.00%	\$ (4,297)
3/26/2021	\$ -	0.00%	\$ (3,625)
6/25/2021	\$ -	0.00%	\$ (11,597)
7/29/2021	\$ -	0.00%	\$ (9,762)
8/16/2021	\$ -	0.00%	\$ (7,568)
9/29/2021	\$ -	0.00%	\$ (5,476)
10/26/2021	\$ -	0.00%	\$ (10,864)
12/27/2021	\$ -	0.00%	\$ (20,966)
3/24/2022	\$ -	0.00%	\$ (5,413)
6/22/2022	\$ -	0.00%	\$ (10,646)
8/4/2022	\$ 630	0.06%	\$ (6,136)
12/29/2022	\$ -	0.00%	\$ (6,669)
2/24/2023	\$ -	0.00%	\$ (3,948)
6/8/2023	\$ -	0.00%	\$ (4,418)
<b>Total</b>	<b>\$ 972,151</b>	<b>97.22%</b>	<b>\$ (1,213,585)</b>

Valuations of non-public securities are provided by Landmark Equity Partners XIV, L.P., based on current market and company conditions.

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
<b>Total Portfolio - Gross</b>	-3.5	-1.7	-2.0	8.3	5.3	5.3
<b>Total Portfolio - Net</b>	-3.7	-2.2	-3.0	7.3	4.3	4.3
Russell 2500	5.2	8.8	13.6	12.3	6.5	9.4
<b>Alternative Assets - Gross</b>	-3.5	-1.7	-2.0	8.3	5.3	5.3
Russell 2500	5.2	8.8	13.6	12.3	6.5	9.4

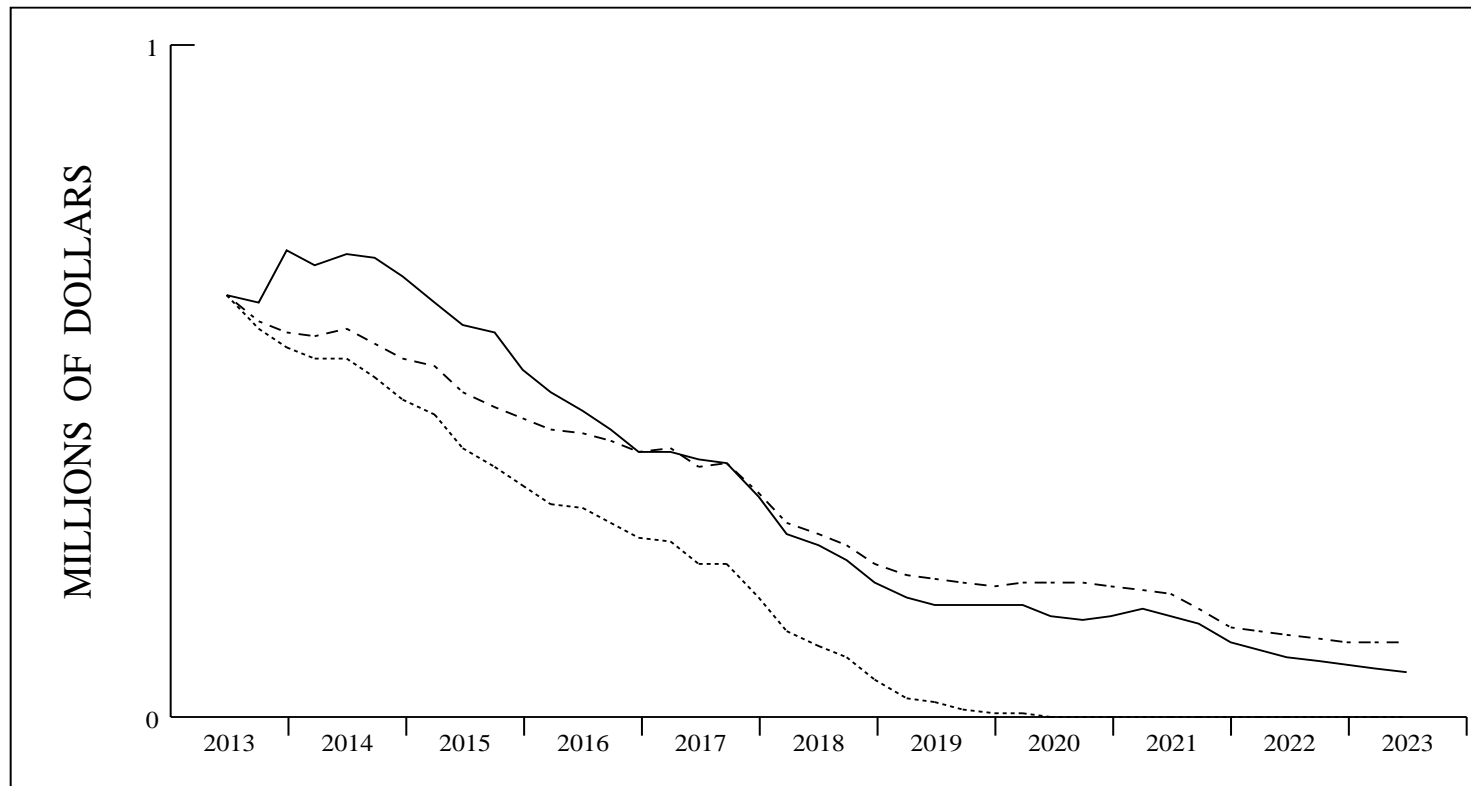
**ASSET ALLOCATION**

Alternative	100.0%	\$ 68,162
Total Portfolio	100.0%	\$ 68,162

**INVESTMENT RETURN**

Market Value 3/2023	\$ 75,027
Contribs / Withdrawals	-4,113
Income	0
Capital Gains / Losses	-2,752
Market Value 6/2023	\$ 68,162

**INVESTMENT GROWTH**



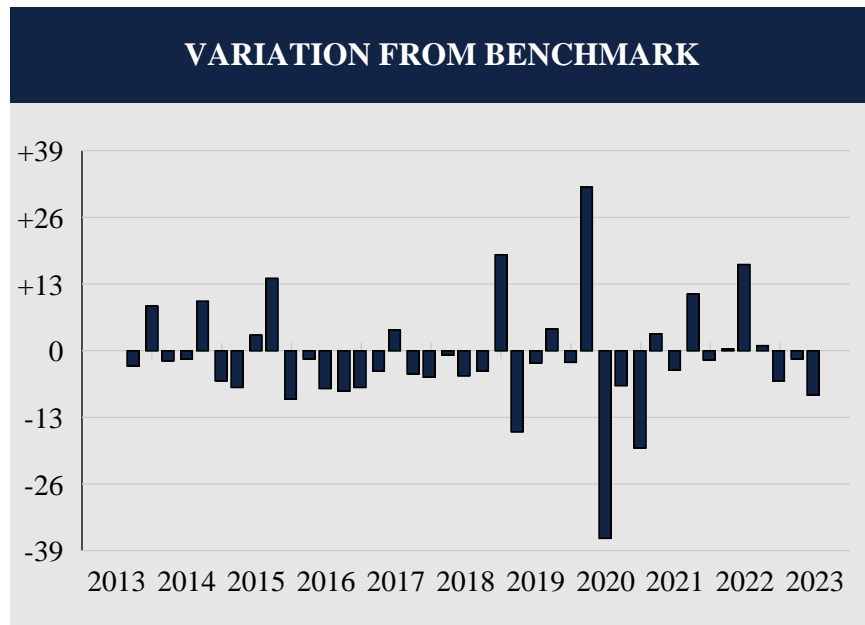
— ACTUAL RETURN  
 - - - BLENDED GROWTH  
 ..... 0.0%

VALUE ASSUMING  
 BLENDED GA \$ 111,981

	LAST QUARTER	PERIOD 6/13 - 6/23
BEGINNING VALUE	\$ 75,027	\$ 632,610
NET CONTRIBUTIONS	- 4,113	-750,010
INVESTMENT RETURN	- 2,752	185,562
ENDING VALUE	\$ 68,162	\$ 68,162
INCOME	0	0
CAPITAL GAINS (LOSSES)	- 2,752	185,562
INVESTMENT RETURN	- 2,752	185,562

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: RUSSELL 2500



<b>Total Quarters Observed</b>	<b>40</b>
<b>Quarters At or Above the Benchmark</b>	<b>13</b>
<b>Quarters Below the Benchmark</b>	<b>27</b>
<b>Batting Average</b>	<b>.325</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
9/13	6.1	9.1	-3.0	6.1	9.1	-3.0
12/13	17.4	8.7	8.7	24.6	18.5	6.1
3/14	0.3	2.3	-2.0	24.9	21.3	3.6
6/14	2.0	3.6	-1.6	27.4	25.6	1.8
9/14	4.2	-5.4	9.6	32.8	18.8	14.0
12/14	0.9	6.8	-5.9	34.0	26.9	7.1
3/15	-2.0	5.2	-7.2	31.4	33.5	-2.1
6/15	2.7	-0.3	3.0	35.0	33.0	2.0
9/15	3.8	-10.3	14.1	40.1	19.3	20.8
12/15	-6.1	3.3	-9.4	31.6	23.2	8.4
3/16	-1.2	0.4	-1.6	30.0	23.7	6.3
6/16	-3.8	3.6	-7.4	25.1	28.1	-3.0
9/16	-1.3	6.6	-7.9	23.4	36.5	-13.1
12/16	-1.1	6.1	-7.2	22.1	44.9	-22.8
3/17	-0.3	3.7	-4.0	21.8	50.3	-28.5
6/17	6.1	2.1	4.0	29.3	53.5	-24.2
9/17	0.2	4.7	-4.5	29.5	60.8	-31.3
12/17	0.0	5.2	-5.2	29.5	69.2	-39.7
3/18	-1.1	-0.2	-0.9	28.0	68.8	-40.8
6/18	0.8	5.7	-4.9	29.1	78.4	-49.3
9/18	0.7	4.7	-4.0	30.0	86.8	-56.8
12/18	0.2	-18.5	18.7	30.3	52.2	-21.9
3/19	0.0	15.8	-15.8	30.3	76.3	-46.0
6/19	0.6	3.0	-2.4	31.1	81.5	-50.4
9/19	2.9	-1.3	4.2	34.8	79.2	-44.4
12/19	6.2	8.5	-2.3	43.2	94.5	-51.3
3/20	2.2	-29.7	31.9	46.4	36.7	9.7
6/20	-10.0	26.6	-36.6	31.7	73.0	-41.3
9/20	-0.9	5.9	-6.8	30.5	83.1	-52.6
12/20	8.4	27.4	-19.0	41.4	133.3	-91.9
3/21	14.2	10.9	3.3	61.6	158.8	-97.2
6/21	1.6	5.4	-3.8	64.2	172.9	-108.7
9/21	8.3	-2.7	11.0	77.8	165.6	-87.8
12/21	2.0	3.8	-1.8	81.2	175.7	-94.5
3/22	-5.5	-5.8	0.3	71.2	159.7	-88.5
6/22	-0.2	-17.0	16.8	70.9	115.6	-44.7
9/22	-1.8	-2.8	1.0	67.9	109.5	-41.6
12/22	1.5	7.4	-5.9	70.4	125.1	-54.7
3/23	1.8	3.4	-1.6	73.4	132.7	-59.3
6/23	-3.5	5.2	-8.7	67.5	144.9	-77.4

FRANKLIN EMPLOYEES' PENSION PLAN & TRUST  
FIA - TIMBER GROWTH & VALUE PARTNERS  
PERFORMANCE REVIEW  
JUNE 2023

**DAHAB** Associates, Inc.  
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## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's FIA Timber Growth & Value Partners portfolio was valued at \$1,705,063, representing an increase of \$6,158 from the March quarter's ending value of \$1,698,905. Last quarter, the Fund posted withdrawals totaling \$3,925, which offset the portfolio's net investment return of \$10,083. Since there were no income receipts for the second quarter, the portfolio's net investment return figure was the product of net realized and unrealized capital gains totaling \$10,083.

## **RELATIVE PERFORMANCE**

### **Total Fund**

During the second quarter, the FIA Timber Growth & Value Partners account returned 0.6%, which was 1.1% below the NCREIF Timber Index's return of 1.7%. Over the trailing year, the portfolio returned 8.8%, which was 2.3% below the benchmark's 11.1% return. Since March 2016, the FIA Timber Growth & Value Partners portfolio returned 4.5% per annum, while the NCREIF Timber Index returned an annualized 5.1% over the same time frame.

## **ASSET ALLOCATION**

The portfolio was invested in the Forest Investment Associates Timber Growth and Value Partners portfolio.

**Timber Investor Report**  
**Forest Investment Advisors**  
**June 30, 2023**

<b>Market Value</b>	<b>\$</b>	<b>1,705,063</b>	Last Appraisal Date: 6/30/2023
Initial Commitment	\$	1,500,000	
Paid-in Capital	\$	1,455,344	
Return of Unused Capital	\$	(41,247)	
Remaining Commitment	\$	85,903	
Net Gain/(Loss)	\$	357,058	
Net IRR Since Inception		3.54%	

<b>Date</b>	<b>Paid-in Capital</b>	<b>% of Commitment</b>	<b>Return of Unused Capital</b>	<b>% of Commitment</b>	<b>Distributions</b>
9/10/2015	\$ 13,370	0.89%	\$ -	0.00%	\$ -
3/22/2016	\$ -	0.00%	\$ -	0.00%	\$ (205)
3/23/2016	\$ 21,442	1.43%	\$ -	0.00%	\$ -
3/29/2016	\$ 14,035	0.94%	\$ -	0.00%	\$ -
4/26/2016	\$ 721,709	48.11%	\$ -	0.00%	\$ -
6/17/2016	\$ -	0.00%	\$ (35,009)	-2.33%	\$ -
9/16/2016	\$ 142,299	9.49%	\$ -	0.00%	\$ -
12/2/2016	\$ 274,851	18.32%	\$ -	0.00%	\$ -
5/3/2018	\$ 39,765	2.65%	\$ -	0.00%	\$ -
11/28/2018	\$ 183,819	12.25%	\$ -	0.00%	\$ -
12/11/2018	\$ 44,054	2.94%	\$ -	0.00%	\$ -
12/21/2018	\$ -	0.00%	\$ (6,238)	-0.42%	\$ -
3/20/2019	\$ -	0.00%	\$ -	0.00%	\$ (4,288)
6/24/2019	\$ -	0.00%	\$ -	0.00%	\$ (26,121)
9/19/2019	\$ -	0.00%	\$ -	0.00%	\$ (7,797)
12/17/2019	\$ -	0.00%	\$ -	0.00%	\$ (3,899)
9/29/2021	\$ -	0.00%	\$ -	0.00%	\$ (3,899)
9/26/2022	\$ -	0.00%	\$ -	0.00%	\$ (11,696)
12/15/2022	\$ -	0.00%	\$ -	0.00%	\$ (7,797)
6/23/2023	\$ -	0.00%	\$ -	0.00%	\$ (390)
<b>Total</b>	<b>\$ 1,455,344</b>	<b>97.02%</b>	<b>\$ (41,247)</b>	<b>-2.75%</b>	<b>\$ (66,092)</b>

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	Since 03/16
<b>Total Portfolio - Gross</b>	0.6	3.2	8.8	7.1	3.5	4.5
<b>Total Portfolio - Net</b>	0.4	2.7	7.9	6.1	2.6	3.7
NCREIF Timber	1.7	3.5	11.1	8.7	5.8	5.1
<b>Alternative Assets - Gross</b>	0.6	3.2	8.8	7.1	3.5	4.5
NCREIF Timber	1.7	3.5	11.1	8.7	5.8	5.1

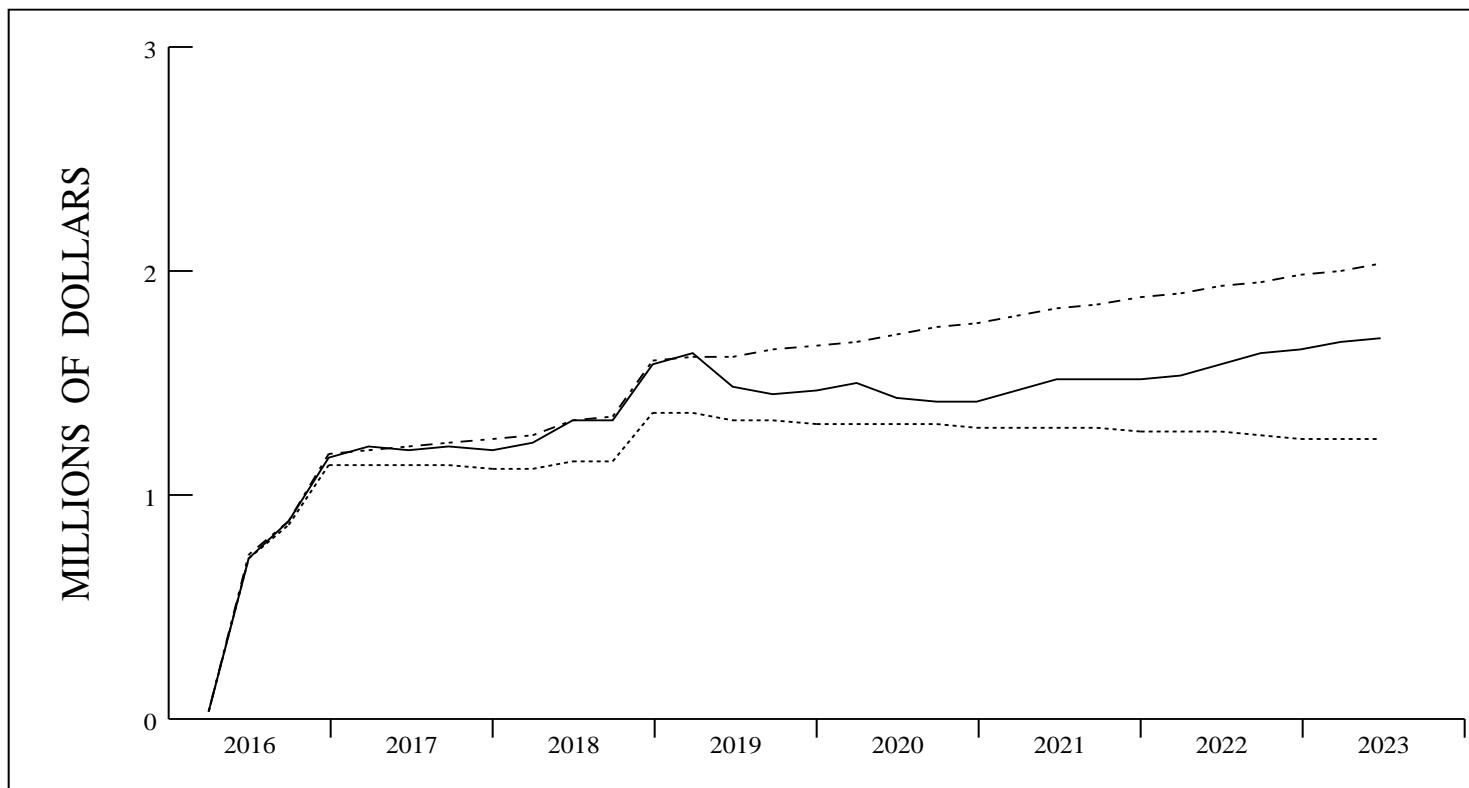
**ASSET ALLOCATION**

Alternative	100.0%	\$ 1,705,063
Total Portfolio	100.0%	\$ 1,705,063

**INVESTMENT RETURN**

Market Value 3/2023	\$ 1,698,905
Contribs / Withdrawals	- 3,925
Income	0
Capital Gains / Losses	10,083
Market Value 6/2023	\$ 1,705,063

**INVESTMENT GROWTH**



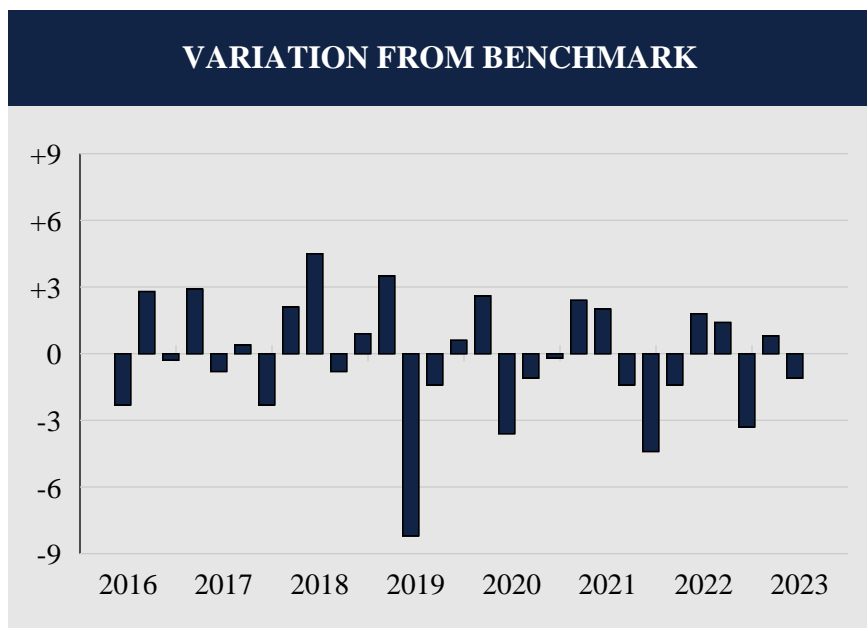
——— ACTUAL RETURN  
 - - - - - BLENDED GROWTH  
 ..... 0.0%

VALUE ASSUMING  
 BLENDED GA \$ 2,044,734

	LAST QUARTER	PERIOD 3/16 - 6/23
BEGINNING VALUE	\$ 1,698,905	\$ 39,242
NET CONTRIBUTIONS	- 3,925	1,217,313
INVESTMENT RETURN	10,083	448,508
ENDING VALUE	\$ 1,705,063	\$ 1,705,063
INCOME	0	4,288
CAPITAL GAINS (LOSSES)	10,083	444,220
INVESTMENT RETURN	10,083	448,508

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF TIMBER INDEX



<b>Total Quarters Observed</b>	<b>29</b>
<b>Quarters At or Above the Benchmark</b>	<b>14</b>
<b>Quarters Below the Benchmark</b>	<b>15</b>
<b>Batting Average</b>	<b>.483</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
6/16	-1.3	1.0	-2.3	-1.3	1.0	-2.3
9/16	3.5	0.7	2.8	2.2	1.7	0.5
12/16	0.9	1.2	-0.3	3.1	2.9	0.2
3/17	3.7	0.8	2.9	6.9	3.6	3.3
6/17	-0.1	0.7	-0.8	6.8	4.4	2.4
9/17	1.0	0.6	0.4	7.9	5.0	2.9
12/17	-0.8	1.5	-2.3	7.0	6.6	0.4
3/18	3.0	0.9	2.1	10.2	7.6	2.6
6/18	5.0	0.5	4.5	15.8	8.1	7.7
9/18	0.2	1.0	-0.8	16.1	9.2	6.9
12/18	1.7	0.8	0.9	18.0	10.0	8.0
3/19	3.6	0.1	3.5	22.3	10.1	12.2
6/19	-7.2	1.0	-8.2	13.4	11.3	2.1
9/19	-1.2	0.2	-1.4	12.0	11.5	0.5
12/19	0.6	0.0	0.6	12.7	11.4	1.3
3/20	2.7	0.1	2.6	15.8	11.5	4.3
6/20	-3.5	0.1	-3.6	11.8	11.6	0.2
9/20	-1.1	0.0	-1.1	10.5	11.7	-1.2
12/20	0.4	0.6	-0.2	11.0	12.3	-1.3
3/21	3.2	0.8	2.4	14.5	13.2	1.3
6/21	3.7	1.7	2.0	18.7	15.1	3.6
9/21	0.5	1.9	-1.4	19.3	17.3	2.0
12/21	0.2	4.6	-4.4	19.6	22.6	-3.0
3/22	1.8	3.2	-1.4	21.7	26.6	-4.9
6/22	3.7	1.9	1.8	26.2	28.9	-2.7
9/22	3.8	2.4	1.4	31.0	32.0	-1.0
12/22	1.6	4.9	-3.3	33.0	38.5	-5.5
3/23	2.6	1.8	0.8	36.4	40.9	-4.5
6/23	0.6	1.7	-1.1	37.2	43.3	-6.1

FRANKLIN EMPLOYEES' PENSION PLAN & TRUST  
RMS - FOREST GROWTH III  
PERFORMANCE REVIEW  
JUNE 2023

**DAHAB** Associates, Inc.  
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## **INVESTMENT RETURN**

On June 30th, 2023, the Franklin Employees' Pension Plan & Trust's RMS Forest Growth III portfolio was valued at \$1,116,189, representing an increase of \$2,004 from the March quarter's ending value of \$1,114,185. Last quarter, the Fund posted withdrawals totaling \$6,530, which offset the portfolio's net investment return of \$8,534. Since there were no income receipts for the second quarter, the portfolio's net investment return figure was the product of net realized and unrealized capital gains totaling \$8,534.

## **RELATIVE PERFORMANCE**

During the second quarter, the RMS Forest Growth III account returned 1.0%, which was 0.7% below the NCREIF Timber Index's return of 1.7%. Over the trailing year, the portfolio returned 22.3%, which was 11.2% above the benchmark's 11.1% return. Since June 2012, the RMS Forest Growth III portfolio returned 6.7% per annum, while the NCREIF Timber Index returned an annualized 6.2% over the same time frame.

## **ASSET ALLOCATION**

The portfolio was fully invested in the RMS Forest Growth III Fund at the end of the quarter.

**Real Assets Investor Report**  
**RMS Forest Growth III Fund**  
**June 30, 2023**

<b>Market Value</b>	<b>\$ 1,116,189</b>	Last Appraisal Date: 6/30/2023	
Initial Commitment	\$ 1,400,000		
Paid-in Capital	\$ 1,400,000	100.00%	
Remaining Commitment	\$ -	0.00%	
Net Gain/(Loss)	\$ 577,398		
Net IRR	4.4%		

<b>Date</b>	<b>Paid-in Capital</b>	<b>% of Commitment</b>	<b>Distributions</b>
2012	\$ 926,712	66.19%	\$ (1,743)
2013	\$ -	0.00%	\$ (14,224)
2014	\$ 301,396	21.53%	\$ (31,442)
2015	\$ 171,892	12.28%	\$ (70,792)
2016	\$ -	0.00%	\$ (84,692)
2017	\$ -	0.00%	\$ (97,701)
2018	\$ -	0.00%	\$ (69,462)
2019	\$ -	0.00%	\$ (161,876)
1Q2020	\$ -	0.00%	\$ (33,039)
3Q2020	\$ -	0.00%	\$ (23,513)
4Q2020	\$ -	0.00%	\$ (12,980)
1Q2021	\$ -	0.00%	\$ (10,443)
2Q2021	\$ -	0.00%	\$ (16,524)
3Q2021	\$ -	0.00%	\$ (28,469)
4Q2021	\$ -	0.00%	\$ (28,829)
1Q2022	\$ -	0.00%	\$ (18,098)
2Q2022	\$ -	0.00%	\$ (27,764)
3Q2022	\$ -	0.00%	\$ (119,355)
4Q2022	\$ -	0.00%	\$ (3,733)
2Q2023	\$ -	0.00%	\$ (6,530)
<b>Total</b>	<b>\$ 1,400,000</b>	<b>100.00%</b>	<b>\$ (861,209)</b>

**EXECUTIVE SUMMARY**

**PERFORMANCE SUMMARY**

	Quarter	YTD	1 Year	3 Year	5 Year	Since 06/12
<b>Total Portfolio - Gross</b>	1.0	2.1	22.3	10.3	8.1	6.7
<b>Total Portfolio - Net</b>	0.8	1.6	21.2	9.2	7.1	5.7
NCREIF Timber	1.7	3.5	11.1	8.7	5.8	6.2
<b>Alternative Assets - Gross</b>	1.0	2.1	22.3	10.3	8.1	6.7
NCREIF Timber	1.7	3.5	11.1	8.7	5.8	6.2

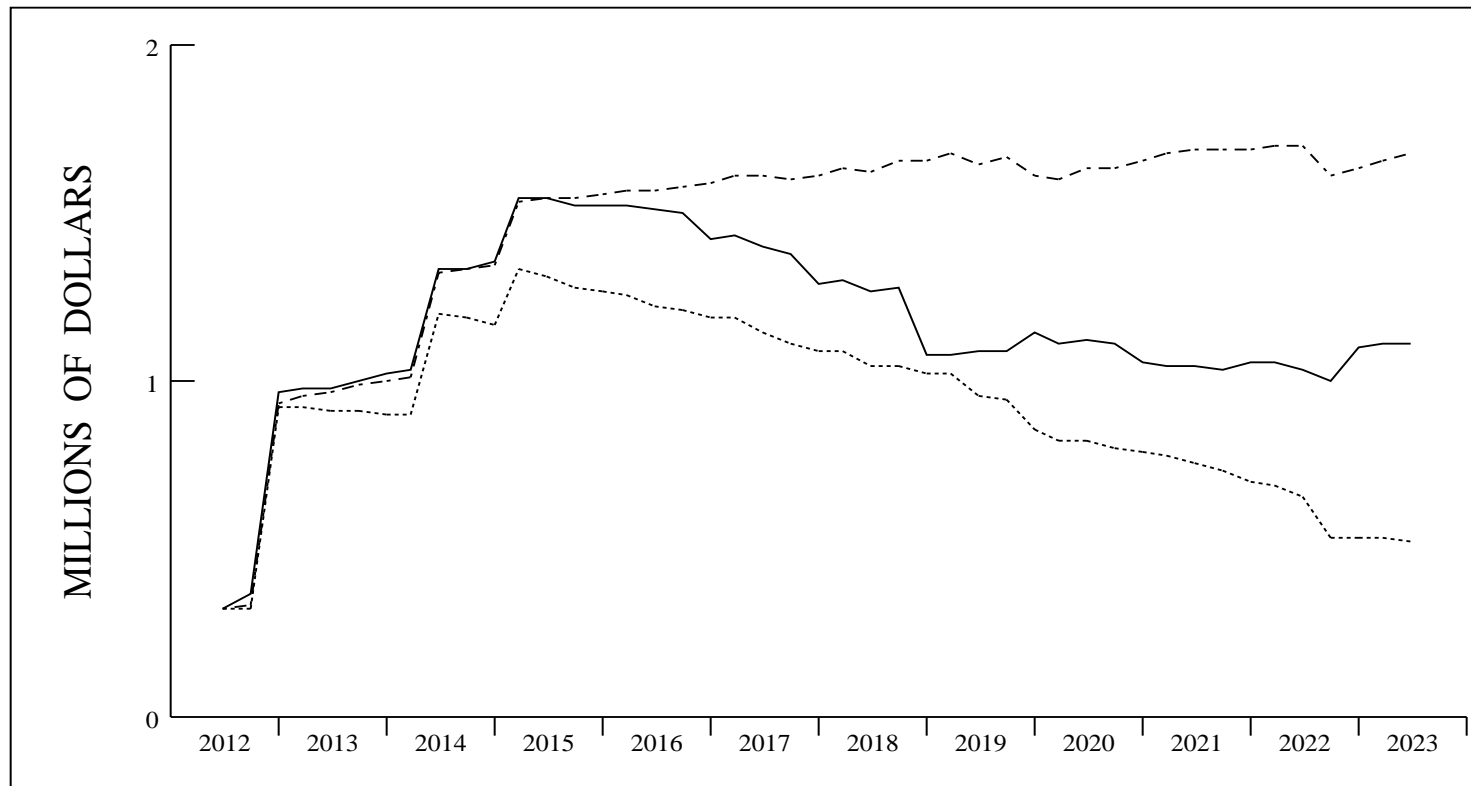
**ASSET ALLOCATION**

Alternative	100.0%	\$ 1,116,189
Total Portfolio	100.0%	\$ 1,116,189

**INVESTMENT RETURN**

Market Value 3/2023	\$ 1,114,185
Contribs / Withdrawals	-6,530
Income	0
Capital Gains / Losses	8,534
Market Value 6/2023	\$ 1,116,189

**INVESTMENT GROWTH**



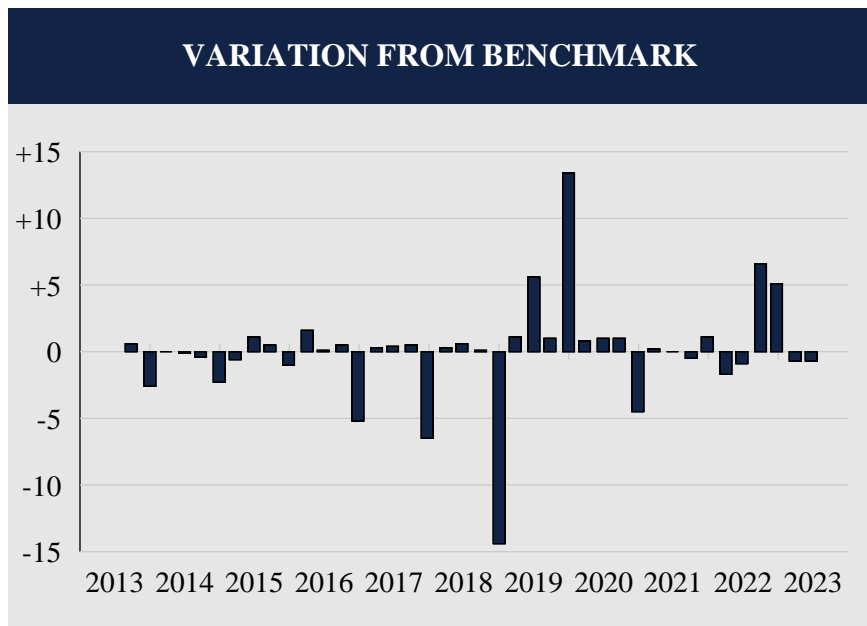
— ACTUAL RETURN  
 - - - BLENDED GROWTH  
 ..... 0.0%

VALUE ASSUMING  
 BLENDED GA \$ 1,685,650

	LAST QUARTER	PERIOD 6/12 - 6/23
BEGINNING VALUE	\$ 1,114,185	\$ 331,920
NET CONTRIBUTIONS	- 6,530	199,986
<u>INVESTMENT RETURN</u>	<u>8,534</u>	<u>584,283</u>
ENDING VALUE	\$ 1,116,189	\$ 1,116,189
INCOME	0	0
<u>CAPITAL GAINS (LOSSES)</u>	<u>8,534</u>	<u>584,283</u>
INVESTMENT RETURN	8,534	584,283

### TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

COMPARATIVE BENCHMARK: NCREIF TIMBER INDEX



<b>Total Quarters Observed</b>	<b>40</b>
<b>Quarters At or Above the Benchmark</b>	<b>25</b>
<b>Quarters Below the Benchmark</b>	<b>15</b>
<b>Batting Average</b>	<b>.625</b>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
9/13	1.6	1.0	0.6	1.6	1.0	0.6
12/13	3.3	5.9	-2.6	5.0	7.0	-2.0
3/14	1.6	1.6	0.0	6.7	8.7	-2.0
6/14	1.0	1.1	-0.1	7.7	9.9	-2.2
9/14	1.1	1.5	-0.4	8.9	11.5	-2.6
12/14	3.7	6.0	-2.3	12.9	18.2	-5.3
3/15	1.2	1.8	-0.6	14.3	20.3	-6.0
6/15	1.6	0.5	1.1	16.1	20.9	-4.8
9/15	1.3	0.8	0.5	17.6	21.9	-4.3
12/15	0.9	1.9	-1.0	18.7	24.1	-5.4
3/16	1.3	-0.3	1.6	20.2	23.8	-3.6
6/16	1.1	1.0	0.1	21.5	25.0	-3.5
9/16	1.2	0.7	0.5	23.0	25.9	-2.9
12/16	-4.0	1.2	-5.2	18.1	27.3	-9.2
3/17	1.1	0.8	0.3	19.4	28.3	-8.9
6/17	1.1	0.7	0.4	20.7	29.2	-8.5
9/17	1.1	0.6	0.5	22.1	30.0	-7.9
12/17	-5.0	1.5	-6.5	16.0	32.0	-16.0
3/18	1.2	0.9	0.3	17.3	33.2	-15.9
6/18	1.1	0.5	0.6	18.7	33.8	-15.1
9/18	1.1	1.0	0.1	20.0	35.2	-15.2
12/18	-13.6	0.8	-14.4	3.7	36.2	-32.5
3/19	1.2	0.1	1.1	4.9	36.3	-31.4
6/19	6.6	1.0	5.6	11.7	37.8	-26.1
9/19	1.2	0.2	1.0	13.1	38.0	-24.9
12/19	13.4	0.0	13.4	28.2	38.0	-9.8
3/20	0.9	0.1	0.8	29.4	38.1	-8.7
6/20	1.1	0.1	1.0	30.9	38.2	-7.3
9/20	1.0	0.0	1.0	32.1	38.3	-6.2
12/20	-3.9	0.6	-4.5	27.0	39.1	-12.1
3/21	1.0	0.8	0.2	28.3	40.1	-11.8
6/21	1.7	1.7	0.0	30.5	42.5	-12.0
9/21	1.4	1.9	-0.5	32.3	45.2	-12.9
12/21	5.7	4.6	1.1	39.9	51.8	-11.9
3/22	1.5	3.2	-1.7	42.0	56.7	-14.7
6/22	1.0	1.9	-0.9	43.5	59.6	-16.1
9/22	9.0	2.4	6.6	56.3	63.4	-7.1
12/22	10.0	4.9	5.1	71.9	71.4	0.5
3/23	1.1	1.8	-0.7	73.7	74.4	-0.7
6/23	1.0	1.7	-0.7	75.5	77.4	-1.9



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**File #: 21-04418**

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**DATE:** August 21, 2023  
**TO:** Pension Committee  
**FROM:** Kevin Sullivan

**SUBJECT:**

Report Of The Actuary

**PURPOSE:**

The purpose of this memorandum is to provide information to the Employee Pension Committee concerning the actuarial report for the closed pension for the plan year ending 12/31/2022 as well as an overview of the Secure 2.0 Act signed into law December 29, 2022.

**BACKGROUND/STAFF COMMENTS:**

Kevin Sullivan of USI is the actuary for the closed pension plan and he will update the committee on the report for the plan year ending 12/31/2022 and well as the impact to governmental retirement funds of the Secure 2.0 Act.

**FINANCIAL IMPACT:**

The actuarially determined contribution (ADC) prepared by USI was incorporated into the adopted FY 2024 Budget. The State of Tennessee requires the City to annually appropriate funding of the ADC for both the open and closed pension plans.

**RECOMMENDATION:**

For information purposes only.

81909  
TCRS (FRANKLIN CITY OF)

# Tennessee Consolidated Retirement System

FRANKLIN CITY OF

GASB Statement No. 68

Actuarial Report

Reporting Date: June 30, 2023



CONSULTING GROUP

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## Certification

### Accounting Governance Background

Governmental Accounting Standards Board (GASB) Statement No. 68 establishes financial reporting standards for state and local government employers with pension plans that are administered through trusts or equivalent arrangements. The objective of this statement is to improve the usefulness of the information included in employer financial statements.

### Purpose and Use

This report has been prepared exclusively for the Tennessee Consolidated Retirement System. Actuarial computations under Statement No. 68 are for purposes of fulfilling employer governmental accounting requirements, and may not be appropriate for other purposes. The calculations reported herein have been made on a basis consistent with our understanding of the statement. USI Consulting Group is not responsible for consequences resulting from the use of any part of this report without prior authorization or approval. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice. Determinations for other purposes, such as funding, bond ratings, or judging benefit security, may be significantly different from the results shown in this report.

Actuarial findings in this report are based on actuarial assumptions which reflect expected plan experience. Although the deviation of the actual future plan experience and the expected experience inherently creates some uncertainty with the results, in our opinion the actuarial assumptions reasonably reflect the expected future experience of the plan. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. All of these factors can cause volatility in the Net Pension Liability (Asset) over time.

The actuarial liabilities shown in this report are determined using software purchased from an outside vendor which was developed for this purpose. Certain information is entered into this model in order to generate the liabilities. These inputs include economic and non-economic assumptions, plan provisions, and census information. We rely on the coding within the software to value the liabilities using the actuarial methods and assumptions selected. Both the input to and the output from the model is checked for accuracy and reviewed for reasonableness.

## Data

The calculations shown in this report have been prepared using employee data (including covered-employee payroll) and plan documentation furnished by the Tennessee Consolidated Retirement System as of June 30, 2022. Plan asset information was furnished by the Tennessee Consolidated Retirement System for the twelve month period ending June 30, 2022. While we have not audited the data, we have reviewed it for reasonableness and internal consistency. We have made reasonable assumptions with regard to any incomplete records, and to the best of our knowledge, there are no material limitations to the data provided. A complete summary of the census data utilized in this report is available upon request.

## Assumptions, Methods, and Procedures

The results presented in this report comply with the assumptions, methods, and procedures under Statement No. 68. The results are based on a June 30, 2022 actuarial valuation date, a measurement date of June 30, 2022 and a reporting date of June 30, 2023. All assumptions are selected by the TCRS Board of Trustees. Statement No. 68 mandates the use of the Entry Age Normal actuarial funding method.

## Subsequent Events

We are unaware of any subsequent events after the actuarial valuation date, measurement date or reporting date which would have a material effect on the results presented in this report.

## Changes in Plan Provisions, Actuarial Assumptions, and Actuarial Methods

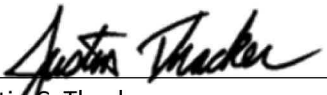
The mortality improvement assumption adopted with the 2020 experience study utilizes the most current projection scale published by the Society of Actuaries as of the actuarial valuation date. As of June 30, 2022, the projection scale was updated from Scale MP-2020 to Scale MP-2021. This change was included with other experience gains or losses.

No other changes were made to the plan provisions, actuarial assumptions or methods effective June 30, 2022.


Summaries of the plan provisions, actuarial assumptions and methods can be found in the Basis for Valuation section of this report.

Professional Qualifications

This report has been prepared under the supervision of Justin C. Thacker, a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and a consulting actuary with USI Consulting Group, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein. To the best of our knowledge this report has been prepared in accordance with generally accepted actuarial standards and our understanding of Government Accounting Standards Board Statement No. 68, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the actuarial report. We are not aware of any direct or material indirect financial interest or relationship that could create, or appear to create, a conflict of interest that would impair the objectivity of our work. The undersigned are available to provide supplemental information or explanation.

  
Justin C. Thacker  
Fellow, Society of Actuaries  
Enrollment No. 23-6078  
Phone 629.895.7858

August 22, 2023  
Date

  
Timothy C. Lavender  
Fellow, Society of Actuaries  
Enrollment No. 23-6745  
Phone 629.895.7822

August 22, 2023  
Date

## Basis for Valuation

### Summary of Plan Provisions

The actuarial valuation includes all benefits provided by the Tennessee Consolidated Retirement System to the current active and inactive plan members. Benefit provisions include retirement, death and disability benefits. If applicable, post-retirement cost of living adjustments are included. Tennessee state law provides full documentation of the plan provisions. The Tennessee Consolidated Retirement System actuarial valuation funding report as of June 30, 2022 includes a summary of plan provisions.

### Summary of Actuarial Assumptions and Methods

#### Investment Rate of Return

6.75 percent per annum, compounded annually

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

### Discount Rate

6.75 percent per annum, compounded annually

Paragraph 29 of Statement No. 68 provides for an alternative method to be used other than the projection of the pension plan's fiduciary net position based on projected contributions, benefit payments and investment earnings. The current contribution policy requires contributions of the normal cost plus a closed amortization of the unfunded liabilities (not to exceed 30 years from when the unfunded liability was created). In addition, the employer has a documented history of contributing 100 percent of the actuarially determined contribution requirement. The discount rate utilized assumes that employee contributions will be made at the current applicable rate and that contributions from the employer will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the pension funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on these assumptions and the actuarial methodology adopted, the employer's fiduciary net position is expected to remain positive and to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Actuarial Valuation Method

All liabilities and normal costs shown in this report are calculated based on the Entry Age Normal method.

### Asset Valuation Method

Fair Market Value

### Amortization Method for GASB Statement No. 68

Level Dollar

### Amortization Period for GASB Statement No. 68

Investment gains or losses are amortized over five years. Experience gains or losses and changes in actuarial assumptions are amortized over the average working lifetime of all participants. Plan amendments are recognized immediately.

### Additional Assumptions

The Tennessee Consolidated Retirement System actuarial valuation funding report as of June 30, 2022 includes a summary of actuarial assumptions.

### Selection of Assumptions

The TCRS Board of Trustees selected the assumptions described above based on the review of plan experience in conjunction with an experience study conducted as of June 30, 2020. A complete plan experience study is conducted every four years.

## GASB Statement No. 68

This section presents specific information required under Statement No. 68. The information in this report is to satisfy the employer reporting for the pension plan. This section contains the following:

- Summary of Key Actuarial Assumptions for Statement No. 68
- Employees Covered by Benefit Terms
- Contributions
- Schedule of Changes in the Net Pension Liability (Asset)
- Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate
- Pension Expense (Income) and Deferred Outflows/Inflows of Resources
- Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
- Schedule of Contributions

Fiduciary Net Position is the amount of assets available for benefits in the Pension Plan.

Total Pension Liability is the plan liability determined using assumptions listed in the Summary of Actuarial Assumptions.

Net Pension Liability (Asset) is the difference in the Total Pension Liability and the Fiduciary Net Position.

## Summary of Key Actuarial Assumptions for GASB Statement No. 68

Reporting Date	June 30, 2023
Measurement Date	June 30, 2022
Actuarial Valuation Date	June 30, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Fair market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2021 (generational projection)
Cost of living adjustments	2.125 percent, if provided

## Employees Covered by Benefit Terms

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	103
Active employees	273
Total	376

A complete summary of the census data utilized in this report is available upon request.

## Contributions

June 30, 2022 employer contributions	\$765,476
Employer contribution rate	6.03%

## Schedule of Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>Balance at June 30, 2021</b>	\$3,343,452	\$3,601,980	\$(258,528)
Service cost	1,153,748		1,153,748
Interest	301,268		301,268
Changes of benefit terms	0		0
Differences between expected and actual experience	433,770		433,770
Changes of assumptions	0		0
Contributions-employer		765,476	(765,476)
Contributions-employee		646,517	(646,517)
Net investment income		(163,051)	163,051
Benefit payments, including refunds of employee contributions	(67,940)	(67,940)	
Administrative expense		(23,817)	23,817
Other		0	0
Net changes	1,820,846	1,157,185	663,661
<b>Balance at June 30, 2022</b>	\$5,164,298	\$4,759,165	\$405,133

## Sensitivity of Net Pension Liability (Asset) to Changes in the Discount Rate

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$1,707,675	\$405,133	\$(594,279)

## Pension Expense (Income) and Deferred Outflows/Inflows of Resources

	<b>Pension Expense (Income)</b>
Service cost	\$1,153,748
Interest	301,268
Changes of benefit terms	0
Contributions-employees	(646,517)
Projected investment income	(287,692)
Recognition of experience (gains)/losses	97,567
Recognition of investment (gains)/losses	4,830
Recognition of assumption changes	27,050
Administrative expense	23,817
Other changes in plan fiduciary net position	0
<b>Pension Expense (Income)</b>	<b>\$674,071</b>

For the year ended June 30, 2023, the recognized pension expense (income) is \$674,071. At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$826,795	\$78,075
Changes of assumptions	243,449	0
Net difference between projected and actual earnings of pension plan investments	373,814	274,108
<b>Total</b>	<b>\$1,444,058</b>	<b>\$352,183</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Outflows (a)	Inflows (b)	Amount Reported (a) + (b)
2023	\$230,050	\$(100,603)	\$129,447
2024	230,050	(100,215)	129,835
2025	230,050	(99,960)	130,090
2026	223,441	(99,960)	123,481
2027	223,441	(8,675)	214,766
2028	133,292	(8,675)	124,617
Thereafter	403,785	(34,700)	369,085

## Development of Deferred Outflows and Deferred Inflows

	Original Amount	Date Established	Original Period	Amount Recognized in Expense	Deferred Outflow Amount	Deferred Inflow Amount
<b>Experience</b>	\$433,770	06/30/2023	10	\$43,377	\$390,393	\$0
<b>(gains) / losses</b>	\$(95,425)	06/30/2022	11	\$(8,675)	\$0	\$(78,075)
	\$282,980	06/30/2021	11	\$25,725	\$205,805	\$0
	\$246,960	06/30/2020	11	\$22,451	\$157,156	\$0
	\$146,886	06/30/2019	10	\$14,689	\$73,441	\$0
	\$0	06/30/2018	11	\$0	\$0	\$0
	\$0	06/30/2017	0	\$0	\$0	\$0
	\$0	06/30/2016	0	\$0	\$0	\$0
	\$0	06/30/2015	0	\$0	\$0	\$0
		<b>Total</b>		<b>\$97,567</b>	<b>\$826,795</b>	<b>\$(78,075)</b>
<b>Investment</b>	\$450,743	06/30/2023	5	\$90,149	\$360,594	\$0
<b>(gains) / losses</b>	\$(456,425)	06/30/2022	5	\$(91,285)	\$0	\$(273,855)
	\$33,047	06/30/2021	5	\$6,609	\$13,220	\$0
	\$(1,273)	06/30/2020	5	\$(255)	\$0	\$(253)
	\$(1,948)	06/30/2019	5	\$(388)	\$0	\$0
	\$(751)	06/30/2018	5	\$0	\$0	\$0
	\$0	06/30/2017	5	\$0	\$0	\$0
	\$0	06/30/2016	5	\$0	\$0	\$0
	\$0	06/30/2015	5	\$0	\$0	\$0
		<b>Total</b>		<b>\$4,830</b>	<b>\$373,814</b>	<b>\$(274,108)</b>

	<b>Original Amount</b>	<b>Date Established</b>	<b>Original Period</b>	<b>Amount Recognized in Expense</b>	<b>Deferred Outflow Amount</b>	<b>Deferred Inflow Amount</b>
<b>Assumption</b>	\$0	06/30/2023	0	\$0	\$0	\$0
<b>changes</b>	\$297,549	06/30/2022	11	\$27,050	\$243,449	\$0
	\$0	06/30/2021	0	\$0	\$0	\$0
	\$0	06/30/2020	0	\$0	\$0	\$0
	\$0	06/30/2019	0	\$0	\$0	\$0
	\$0	06/30/2018	11	\$0	\$0	\$0
	\$0	06/30/2017	0	\$0	\$0	\$0
	\$0	06/30/2016	0	\$0	\$0	\$0
	\$0	06/30/2015	0	\$0	\$0	\$0
		<b>Total</b>		<b>\$27,050</b>	<b>\$243,449</b>	<b>\$0</b>

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios  
(year shown is June 30 measurement date)

	<u>2022</u>
<b>Total Pension Liability</b>	
Service cost	\$1,153,748
Interest	301,268
Changes of benefit terms	0
Differences between expected and actual experience	433,770
Changes of assumptions	0
Benefit Payments, including refunds of employee contributions	<u>(67,940)</u>
Net Change in Total Pension Liability (Asset)	1,820,846
Total Pension Liability (Asset) - beginning	<u>3,343,452</u>
Total Pension Liability (Asset) - ending (a)	<u><u>\$5,164,298</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$765,476
Contributions - employee	646,517
Net investment income	(163,051)
Benefit Payments, including refunds of employee contributions	(67,940)
Administrative expenses	(23,817)
Other	<u>0</u>
Net Change in Plan Fiduciary Net Position	\$1,157,185
Plan Fiduciary Net Position - beginning	<u>3,601,980</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$4,759,165</u></u>
Net Pension Liability (Asset) - ending (a) - (b)	<u><u>\$405,133</u></u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	92.16%
Covered-employee payroll	\$12,690,108
Net Pension Liability (Asset) as a % of covered-employee payroll	3.19%

## Schedule of Contributions

(Information to be inserted as of the employer's most recent fiscal year end)

	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$765,476	(Entity to insert)
Contributions in relation to the actuarially determined contribution	765,476	(Entity to insert)
Contribution deficiency (excess)	<u>\$0</u>	<u>(Entity to insert)</u>
Covered-employee payroll	\$12,690,108	(Entity to insert)
Contributions as a percentage of covered-employee payroll	6.03%	(Entity to insert)

### Notes to Schedule

Actuarially determined contribution rates for the year ended June 30, 2023 are based on the results of the June 30, 2021 actuarial valuation. Detailed below are the methods and assumptions used in the June 30, 2021 actuarial valuation.

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period (years)	Various
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including projection of mortality improvement using Scale MP-2020 (generational projection)
Cost of living adjustments	2.125 percent, if provided



# City of Franklin Employees' Pension Plan and Trust

# ACTUARIAL VALUATION REPORT

as of January 1, 2023

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## Introduction

An actuarial valuation of the City of Franklin Employees' Pension Plan and trust was performed as of January 1, 2023. The last valuation performed was as of January 1, 2022. The purpose of the valuation was to determine the current funding status of the Plan, with the intention that funding levels indicated by the valuation be used as the basis for contributions to the Plan for the fiscal year commencing January 1, 2024.

Actuarial valuations are based on the integrity of employee data, plan asset data, plan provisions and an extensive set of assumptions regarding future events. There is necessary uncertainty with any actuarial calculation based on the accuracy of the data provided, the correct interpretation of plan provisions and the Accuracy of the assumptions made. These results were based on participant data provided by the City and asset information provided by the Trustee. This information was not audited but was reviewed for reasonableness.

This valuation was prepared on the basis of the interest, salary and demographic assumptions that were determined from the Experience Study for the period January 1, 2014 to December 31, 2018 prepared by Findley and approved by the Board for use beginning with the January 1, 2019 actuarial valuation. These assumptions will remain in effect for valuation purposes until such time as the Board adopts revised assumptions, which is scheduled to be performed before the January 1, 2024 valuation.

A detailed explanation of the actuarial assumptions and methods used in the report are contained in the Basis of Valuation section. Also included in the Basis of Valuation section of this report is a summary of provisions of the plan as we understand them.

## Purpose and Use

This report has been prepared exclusively for the City of Franklin Employees' Pension Plan and Trust. The calculations reported herein have been made on a basis consistent with our understanding of the statements. Findley is not responsible for consequences resulting from the use of any part of this report without prior authorization or approval. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice. Determinations for other purposes, such as funding, bond ratings, or judging benefit security, may be significantly different from the results shown in this report.

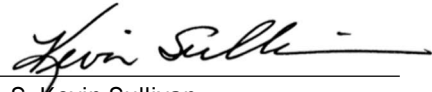
Actuarial findings in this report are based on actuarial assumptions which reflect expected plan experience. Although the deviation of the actual future plan experience and the expected experience inherently creates some uncertainty with the results, in our opinion the actuarial assumptions reasonably reflect the expected future experience of the plan. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. All of these factors can result in the risk of volatility in the Net Pension Liability over time.

## Notes about Participant Data

The actuarial valuation underlying this report has been made utilizing employee data furnished by the employer. While we have analyzed this information and found no material limitations, please note that a complete and independent audit of these data was not performed.

## Actuarial Certification

The actuarial valuation summarized in this report is based on the employee data provided by City of Franklin Employees' Pension Plan and trust information provided by the trustee. The employee data has been reviewed for consistency. The trust information in this report has not been audited but appears to accurately reflect the assets of the plan. The information in this report has been prepared under the supervision of S. Kevin Sullivan, a member of the Academy of Actuaries, Fellow of the Society of Actuaries, and a consulting actuary with USI consulting group who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein. To the best of our knowledge the information has been prepared in accordance with generally accepted actuarial standards, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the information in this report. We are not aware of any direct or material indirect financial interest or relationship, including investment management or other services that could create, or appear to create, a conflict of interest what would impair the objectivity of our work.



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June 27, 2023

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Date

## Summary of Report

### Funding requirements

An actuarial valuation of the City of Franklin Employees' Pension Plan and trust was conducted as of January 1, 2023. The purpose of the valuation is to determine the cost implications of the pension plan including a determination of annual funding levels for the plan year ending December 31, 2024.

On the basis of the valuation, it has been determined that the annual funding levels for the 2023 plan year, as described in the basis of the valuation section of this report, are as follows:

	<u>Total Amount</u>	<u>Percentage of Payroll</u>
Recommended Funding Level	\$ 7,019,361	23.21%

The following summarizes pertinent comparative statistics from the current and previous valuations:

	<u>1/1/2023</u>	<u>01/01/2022</u>	<u>% Increase</u>
Number of Employees	397	406	(2.22%)
Total Covered Payroll	\$ 30,238,979	\$ 29,370,570	2.96%
Average Salary	\$ 76,169	\$ 72,341	5.29%
Average Age	48.85	48.21	1.33%
Average Past Service	16.74	16.05	4.30%
Recommended Funding Level	\$ 7,019,361	\$ 4,117,465	70.48%
% of Payroll	23.21%	14.02%	65.58%

## Yearly comparison of selected plan information

	<u>Plan Year</u>			
	2023	2022	2021	2020
Number of Participants				
Active	397	406	438	466
Deferred Vested	183	193	184	179
Retired and Disabled	292	274	261	238
Annual Covered Payroll	\$ 30,238,979	\$ 29,370,570	\$ 29,868,272	\$ 30,013,785
Average Annual Earnings	\$ 76,169	\$ 72,341	\$ 68,192	\$ 64,407
Present Value of Benefits	\$ 209,723,952	\$ 191,134,494	\$ 179,661,796	\$ 165,401,042
Unfunded Supplemental Liability	\$ 43,504,907	\$ 16,555,170	\$ 28,473,360	\$ 27,836,703
Actuarial Asset Value	\$ 152,073,912	\$ 160,783,824	\$ 136,804,759	\$ 123,325,787
<b>Annual Funding Levels</b>				
Normal Cost	\$ 2,354,516	\$ 2,257,541	\$ 2,303,771	\$ 2,344,647
Normal Cost Rate	7.79%	7.69%	7.71%	7.81%
Expected Employee Contribution	\$ (324,394)	\$ (300,756)	\$ (314,541)	\$ (321,389)
Net Normal Cost	\$ 2,030,122	\$ 1,956,785	\$ 1,989,230	\$ 2,023,258
Net Normal Cost % of Payroll	6.71%	6.66%	6.66%	6.74%
Recommended Contribution	\$ 7,019,361	\$ 4,117,465	\$ 5,160,362	\$ 5,061,105
% of Payroll	23.21%	14.02%	17.28%	16.86%
Present Value of Accrued Benefits	\$ 164,765,127	\$ 147,795,574	\$ 135,949,251	\$ 122,667,986
Security Ratio	92.30%	108.79%	100.63%	100.54%
Entry Age Normal Funded Ratio	77.76%	90.66%	82.77%	81.58%

## Funding Issues

The investment return for the period ending January 1, 2023 was -10.81%; the assumed rate of return was 6.90%. This resulted in a \$27,799,000 investment loss based on the investment return assumption.

### Contribution Components under the Plan

Plan benefits are being funded by actuarially determined contributions and investment income from plan assets. Unfunded liabilities are amortized as described below.

### Description of Actuarial Funding Method

The employer contribution and plan liabilities are determined under the Entry Age Normal Funding Method.

A detail description of the Method followings:

The Normal Cost is the annual amount that would have to be paid for each member from the original date of entry (employment) to his assumed retirement (termination, disability, or death) date in order to fund his projected benefits, over the whole of his working life (membership in the plan). This computation is made in such a way that each year's annual payment is a level percent of participants' compensation.

The unfunded (surplus) / liability is determined by calculating the Present Value of Projected Benefits at the Valuation date and subtracting the Present Value of Future Normal Costs the assets of the Fund.

A past service cost (amortization payments) is calculated as the amount necessary to fund the Initial Unfunded Actuarial Accrued Liability plus any changes in the Unfunded Actuarial liability due to experience gains and losses.

Accrued Liability due to plan changes, assumption changes, or actuarial experience gains / (losses), together with interest thereon, in equal installments as required by regulations. See amortization Schedule section.

The recommended City's contribution is the Normal Cost plus the Past Service Contribution with interest to expected date(s) of the contributions(s).

On April 25, 2023, Resolution 2023-03 was adopted which updated the Funding Policy of the Plan as follows:

- Effective January 1, 2023, the Actuarial Value of Assets will be determined using a Five Year Smoothing of Gains and Losses, with the Actuarial Value of Assets not deviating from Market Value by more than 20%.
- Effective for fiscal years beginning on or after June 15, 2024, the mortality assumptions will be updated to include future expected mortality changes.
- Investment earnings assumptions shall not be greater than fifty (50) basis points above the rate utilized for the most recent actuarial valuation of the Tennessee Consolidated Retirement System.

### Actuarially Determined Contributions

For the fiscal year ending December 31, 2022, the actuarially determined contribution is \$4,117,465. The City of Franklin contributed \$6,660,363 for the fiscal year ending December 31, 2022, which satisfies the requirement to fund at least 100% of the actuarially determined contribution. The actuarially determined contribution for the fiscal year ending December 31, 2023 is \$7,019,361.

## Basis of Valuation

### Summary of provisions of the plan

*This Summary is not a summary Plan Description or a Plan Document. You should not rely solely on this summary in making a determination of eligibility for the plan or its benefits.*

#### **Name of Plan**

City of Franklin Employees' Pension Plan

#### **Plan Sponsor & Plan Administrator**

City of Franklin

#### **Trustees**

City of Franklin

#### **City of Franklin Employee Pension and Trust Investment**

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.

#### **Effective Date**

The Plan was originally established effective May 1, 1971. The restated Plan document is effective January 1, 2018. The latest amendment updated Average Compensation as of January 1, 2023.

Effective December 31, 2018, the Cash Balance must be taken as a single Lump Sum or as a Cash Refund Annuity. If you are not retired, you must take the account balance as of the date you retire. If you are retired, you must take the cash balance no later than April 1<sup>st</sup>, after you attain age 70.5 (age 72 for those who reached age 70 on or after July 1, 2019).

#### **Plan Year**

The plan year is the calendar year.

#### **Eligibility**

A full-time employee who works 30 hours or more per week will become an active member on the first day of the month after meeting the following requirements:

- Completes one year of continuous service
- Reaches age 21
- An Employee hired on or after February 15, 2010, shall become eligible to participate in the Plan and become a Participant as of the first day of the month immediately following the commencement of the Employee's employment by the City, provided, however, that such Employee shall be eligible to participate in the Plan only upon his election to participate.

Effective January 1, 2017, the Plan is closed to new participants.

## Credited Service

Credited Service under the Plan is based on completed calendar months during which an Employee has been in continuous employment with the City of Franklin. Periods of absence due to disability, military service, or approved leave are not considered discontinuance of employment.

## Plan Compensation

Plan Compensation is W-2 Compensation, including deferrals made under this Plan as mandatory pre-tax employee contributions, any amounts made under a cafeteria (§125) plan, overtime pay, bonuses, holiday pay, fringe benefits (cash or non-cash), deferred compensation, welfare benefits, and other regular pay. Compensation excludes reimbursements or other expense allowances, moving expenses, uniform allowances, and supplemental pay for police officers and firefighters, long-term disability benefits, pay in-lieu-of notice, severance pay, tuition reimbursements, or automobile allowances.

On November 17, 2016, the City approved the creation of a Retirement Health Savings (RHS) Plan that is exempt from income tax when disbursements are made for medical expenses and related health insurance payments and premiums. The initial phase of the RHS plan includes the City Administrator, Assistant City Administrators, and Department Directors. Funds contributed to the RHS plan are not considered wages in pension benefit calculations.

## Average Compensation

"Average Compensation" shall mean the average of the Participant's Compensation over the three (3) consecutive whole calendar years of a Participant's Employment during which his Compensation was the greatest out of the last ten (10) calendar years, or over a lesser number of Years of Employment actually served provided, however, that for a Participant who was first hired by the City on or after February 15, 2010, "Average Compensation" shall mean the average of the Participant's Compensation over the five (5) consecutive whole calendar years of a Participant's Employment during which his Compensation was the greatest out of the last ten (10) calendar years or over a lesser number of Years of Employment actually served.

As of January 1, 2023 the Average Compensation was amended as follows

the current plan provides that Average Compensation means the average of the Participant's Compensation over the three (3) consecutive whole calendar years of a Participant's Employment during which his Compensation was the greatest out of the last ten (10) calendar years or over a lesser number of Years of Employment actually served, provided, however, that for a Participant who was first hired by the City on or after February 15, 2010, "Average Compensation" shall mean the average of the Participant's Compensation over the five (5) consecutive whole calendar years of a Participant's Employment during which his Compensation was the greatest out of the last ten (10) calendar years or over a lesser number of Years of Employment actually served. Notwithstanding the foregoing, if the amount of Compensation in the whole or partial year in which the Participant terminates Employment is greater than the amount of Compensation for the first whole or partial year which would be used in determining the average hereunder, then the first whole year of actual Compensation shall be used in determining such Participant's Average Compensation; and

it is recommended by staff that the Plan be amended to define Average Compensation as follows: (i) for Participants hired on or after February 15, 2010 the average of the Participant's Compensation over the consecutive sixty (60) month period of a Participant's Employment during which his Compensation was the greatest out of the last one hundred and twenty (120) months or over a lesser number of months of Employment actually served, and (ii) for Participants hired on or after May 1, 1971 and prior to February 15, 2010 the average of the Participant's Compensation over the consecutive thirty-six (36) month period of a Participant's Employment during which his Compensation was the greatest out of the last one hundred and

twenty (120) months or over a lesser number of months of Employment actually served. For purposes of the above only months in which the Participant was employed and received Compensation for a whole month shall be included. Such periods shall be referred to as a Measuring Period.

Notwithstanding the foregoing, for any Participant hired prior to the effective date of this amendment, if the result of the above applicable Measuring Period for such Participant is less than the result under the measuring period in effect to such Participant under the terms of this Plan prior to the effective date of this amendment, then such Participant's "Average Compensation" shall be the larger of the two results.

## Accrued Benefit

The Accrued Benefit is determined in the same manner as Normal Retirement Benefit using Average Compensation and Service at date of determination.

Participants' Cash Balance Accounts are the account balances on the date of determination.

## Normal Retirement

### Eligibility

Normal retirement occurs at age 65 and completion of 5 years of Plan participation. With respect to employees hired before July 1, 2006, normal retirement occurs when they complete 25 years of service.

### Benefit

For employees hired before July 1, 1995, the benefit formula is the greater of

- 2.00% of Average Compensation multiplied by the number of years of Credited Service, less 50.00% of the monthly Primary Insurance Amount provided under Social Security at the time of retirement, or
- 1.00% of Average Compensation multiplied by the number of years of Credited Service.

For all retirements and terminations after July 1, 2003, the benefit formula is 2.00% of Average Compensation multiplied by the number of years of Credited Service.

## Cash Balance Accounts

Cash Balance Accounts include the sum of all pre-tax employee contributions, post-tax employee contributions, discretionary City contributions, and interest credits.

## Early Retirement

### Eligibility

Completion of ten years of Credited Service and attainment of age 55, or completion of 25 years of Credited Service regardless of age.

### Benefit

The benefit is determined under the Accrued Benefit formula stated above, which is based on service and compensation to date, and is payable at age 65. A reduced benefit is payable immediately. The reduction for immediate commencement of benefits is 5% per year for each year preceding normal retirement with a prorated adjustment for partial years, rounded to the nearest month. A participant hired before February 15, 2010 who has attained age 62 with twenty years of Credited Service will receive an Early Retirement Benefit without reduction.

Participants hired after July 1, 2006 and before February 15, 2010 can retire after age 55 with at least 25 year of service with no reduction for early retirement.

Participant's Cash Balance Accounts are the account balances on the Early Retirement Date.

## Late Retirement

### Benefit

The late retirement benefit is the greater of the benefit determined under Normal Retirement above calculated as of the Normal Retirement Date actuarially increased to the late retirement date, or the benefit determined under Normal Retirement above recognizing pay and service to the late retirement date.

Participants' Cash Balance Accounts are the account balances on the actual Retirement Date.

## Disability Retirement

### Eligibility

A participant must be totally and permanently disabled.

### Benefit

The benefit is the accrued retirement benefit reduced for early payment or deferred to age 65 if the participant is not otherwise eligible to receive a benefit.

## Vesting

A participant will be vested in his Accrued Benefit according to the following schedule adopted after January 1, 2003.

<u>Credited Service</u>	<u>Vested Percentage</u>
Less than 5 years	0%
5 years	100%

A participant is 100% vested immediately in all Cash Balance Accounts.

## Death before Retirement

### Eligibility

Attainment of age 21 and one year of Credited Service is required to be eligible for this benefit upon death.

### Benefit

The beneficiary receives the monthly benefit that can be provided by the actuarial present value of the accrued benefit. If the employee dies before becoming eligible for Early Retirement, the beneficiary may receive a Lump Sum equal to the actuarial present value of the accrued benefit.

## Death after Retirement

No benefit is payable unless an optional form of settlement has been elected. Otherwise, the benefit is the employee's contributions, plus interest, less the amount of annuity payments paid.

## Annuity Forms

The following forms are available:

### Normal Form

- The normal form for the monthly benefit is a life annuity benefit. However, each participant married at retirement who does not elect otherwise will receive a joint annuity in a reduced amount providing for a 50% continuation to a surviving spouse.
- The normal form for the Cash Balance Accounts is a lump sum. However, it may be converted to an annuity payable for life with a death benefit refund of the account at the Participant's Retirement Date, minus the sum of the monthly payments that have been made.

### Optional Forms

- Contingent options at 50%, 75%, or 100% of the benefit being paid to the beneficiary upon death of the retiree
- Five, ten, and fifteen year certain and life annuities
- Social Security adjustment option
- Special option upon request and granted by the City

## Contributions

### Mandatory Participant Contributions

Employees that elect to participate, who were first hired by the City on or after February 15, 2010, shall make a mandatory contribution to the Plan in an amount equal to 5% of the Participant's Compensation. Employees are 100% vested in total accumulated contribution without interest.

### Pre-Tax Employee Contributions

Employees hired before July 1, 1995 may contribute from 3.00% to 10.00% on a pre-tax basis to a Cash Balance Account. For employees hired on or after July 1, 1995, a 3.00% pre-tax contribution is required, but an additional contribution up to 7% may be made if elected on a one-time basis.

### Post-Tax Employee Contributions

Employees may make a voluntary after-tax contribution of 1.00% to 10.00% of annual salary to a Cash Balance Account.

### Discretionary City Contributions

The City may make additional contributions to Participants' Cash Balance Accounts on a discretionary basis.

### Regular City Contributions

The City will make regular contributions as required to fund the Plan.

*City of Franklin Employees' Pension Plan and Trust*  
*January 1, 2023*

Interest on Cash Balance Accounts will be credited each year with interest calculated at the rate for U.S. Treasury Bills as of November 1, of the previous year plus 1.00%. The minimum interest to be credited will be no less than 6.00% per year.

The Historical Cash Balance interest crediting rates are:

<u>Year</u>	<u>Rate</u>
1995	9.08%
1996	7.26%
1997	7.48%
1998	7.11%
1999	6.25%
2000	7.15%
2001	6.78%
2002	6.12%
2003	6.00%
2004	6.12%
2005-2022	6.00%

## Summary of actuarial assumptions and methods

### Mortality Rates

105% of the RP-2014 Healthy Annuitants and Non-Annuitants, Blue Collar Mortality Tables, Adjusted back to 2006, separate for Males and Females.

### Withdrawal Rates

- **Tier I and Tier III** – The Basic Age Table - 2003 SOA Pension Plan Turnover Study
- **Tier II and Tier IV** – 115% of The Basic Age Table - 2003 SOA Pension Plan Turnover Study

### Disability Rates/Disabled Mortality/Recovery Rates

100% of UAW table for Males and Females

### Salary Scale

Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
25	7.50%
30	7.00%
35	6.00%
40	5.00%
45	4.50%
50	4.00%
55	3.50%
60+	3.00%

### Rate of Investment Return

Prior to January 1, 2018 – 7.50% per annum

January 1, 2018 – 7.40% per annum

January 1, 2019 – 7.30% per annum

January 1, 2020 – 7.20% per annum

January 1, 2021 – 7.10% per annum

January 1, 2022 – 7.00% per annum

January 1, 2023 – 6.90% per annum

## Rate of Retirement

Active Participants are assumed to retire Based on the following:

### Tier I - General Service

Age	Under 5	5-6	7-19	20-24	25 & Over
<40	0.00%	0.00%	0.00%	0.00%	0.00%
40-49	0.00%	0.00%	5.00%	5.00%	10.00%
50-54	0.00%	0.00%	5.00%	5.00%	20.00%
55	0.00%	0.00%	5.00%	5.00%	10.00%
56	0.00%	0.00%	5.00%	5.00%	10.00%
57-61	0.00%	0.00%	5.00%	5.00%	10.00%
62	0.00%	0.00%	25.00%	50.00%	50.00%
63-64	0.00%	0.00%	15.00%	25.00%	40.00%
65	0.00%	15.00%	40.00%	40.00%	40.00%
66-69	0.00%	20.00%	20.00%	40.00%	40.00%
70+	0.00%	100.00%	100.00%	100.00%	100.00%

### Tiers II & III - General Service

Age	Under 5	05-Jan	19-Jun	20-24	25+
<55	0.00%	0.00%	0.00%	0.00%	0.00%
55	0.00%	0.00%	10.00%	10.00%	12.50%
56	0.00%	0.00%	5.00%	5.00%	10.00%
57-59	0.00%	0.00%	5.00%	5.00%	7.50%
60-61	0.00%	0.00%	5.00%	5.00%	12.50%
62	0.00%	0.00%	25.00%	50.00%	50.00%
63-64	0.00%	0.00%	15.00%	25.00%	25.00%
65-69	0.00%	50.00%	50.00%	50.00%	50.00%
70+	0.00%	100.00%	100.00%	100.00%	100.00%

Rates of Retirement (continued)

<b>Tier I - Police / Fire</b>								
<b>Service</b>								
Age	Under 10	10-19	20-24	25	26	27	28	29 & Over
Under 40	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
40-49	0.00%	0.00%	0.00%	0.00%	0.50%	0.50%	0.50%	0.50%
50	0.00%	0.00%	0.00%	20.00%	20.00%	20.00%	2.00%	2.00%
51	0.00%	0.00%	0.00%	20.00%	20.00%	40.00%	40.00%	40.00%
52	0.00%	0.00%	0.00%	20.00%	20.00%	60.00%	60.00%	60.00%
53	0.00%	0.00%	0.00%	20.00%	20.00%	60.00%	80.00%	80.00%
54	0.00%	0.00%	0.00%	20.00%	20.00%	60.00%	80.00%	80.00%
55	0.00%	10.00%	10.00%	40.00%	60.00%	80.00%	80.00%	80.00%
56-61	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	80.00%	80.00%
62	0.00%	25.00%	50.00%	50.00%	50.00%	60.00%	80.00%	80.00%
63-64	0.00%	15.00%	25.00%	40.00%	20.00%	40.00%	60.00%	80.00%
64-69	0.00%	40.00%	40.00%	50.00%	20.00%	40.00%	60.00%	80.00%
70+	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

<b>Tiers II &amp; III - Police / Fire</b>									
<b>Service</b>									
Age	Under 5	5-9	10-14	20-24	25	26	27	28	29 & Over
<55	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
55	0.00%	0.00%	1.00%	10.00%	20.00%	20.00%	20.00%	20.00%	20.00%
56	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	40.00%	40.00%	40.00%
57	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	60.00%	60.00%
58	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	80.00%	80.00%
59	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	8.00%	100.00%
60	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	80.00%	100.00%
61	0.00%	0.00%	5.00%	5.00%	20.00%	40.00%	60.00%	80.00%	100.00%
62	0.00%	0.00%	25.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
63-64	0.00%	0.00%	15.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
65-68	0.00%	50.00%	50.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
69	0.00%	10.00%	10.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## Valuation method

Entry Age Normal with the unfunded liability reestablished each year

## Amortization method

Level Dollar amortization of unfunded liabilities

## Provision for Expenses

The expenses are reflected in the interest funding rates.

## Form of payment

Participants elect normal form of payment.

## Marriage assumptions

100% of both males and females are assumed to be married with husbands 3 years older than their wives.

## Other assumptions

Deferred vested participants are assumed to commence at age 65.

Disabled participants are assumed to commence at age 55.

## Amortization Period

20 Years Closed Period

## Asset valuation method

The asset valuation is equal to the Market value of assets plus any employee and / or employer contributions made for the plan year. The asset information is provided by the City of Franklin, US Bank and Trust and Dahab Associates. The asset amount used in this report was approved by the City.

## Changes in Assumptions and Method from prior actuarial valuation

The following assumptions were changed beginning with the January 1, 2021 valuation.

The interest rate assumption has been changed from that used in the prior year report. The change is as follows:

	Prior Year	Current Year
Valuation Rate	7.00%	6.90%
Investment Rate of Return	7.00%	6.90%

*Reason: Effective January 11, 2022, A resolution of the Board of Mayor, and Alderman to Amend the Investment Assumption Rate of the City of Franklin Employees' Pension Plan was approved. The City of Franklin has committed to reduce the investment rate of return assumption by 10 basis points each year until the investment rate reaches 6.50%; to better reflect plan's current and future rate of return expectations.*

## Plan Assets

### Balance sheet

The following shows the market value of plan assets by asset for the current year and prior year.

<b>Assets</b>	<b>Beginning of Year</b>	<b>End of Year</b>
Total noninterest bearing cash	0	0
Receivables		
Employer contributions	0	0
Income	0	0
Other	0	0
<b>Total Receivables</b>	<b>\$ 0</b>	<b>\$ 0</b>
General investments		
Clearing Account	\$ 383,208	\$ 849,193
Other Clearing Account	0	0
Vanguard International Developing Countries	0	0
RMK Timber	0	0
FIA Timber	1,522,766	1,660,065
Landmark Private Equity	114,404	77,818
RMS Forest Timber	1,065,034	1,104,965
Hamilton Lane	656,456	470,713
State of Tennessee	156,826,643	139,488,078
BTG Select II	215,313	5,174
<b>Total Assets</b>	<b>\$ 160,783,824</b>	<b>\$ 143,656,006</b>
Employer related investments		
Employer securities	0	0
Employer real property	0	0
Buildings and other property used in plan operation	0	0
<b>Total Assets</b>	<b>\$ 160,783,824</b>	<b>\$ 143,656,006</b>
<b>Liabilities</b>		
Benefit claims payable	0	0
Operating payables	0	0
Other liabilities	0	0
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net Assets</b>	<b>\$ 160,783,824</b>	<b>\$ 143,656,006</b>

Note: Totals may vary slightly due to rounding

## Summary of Operation

### Summary of Operation

		<b>Income</b>	
Contributions			
	Employer	6,660,363	
	Participants	700,782	
	Other	0	
	<b>Total Contributions</b>	0	
			\$ 7,361,145
Interest			
	<b>Total Interest</b>	N/A	
			N/A \$ 0
Dividends			
	<b>Total Dividends</b>	N/A	
			\$ 0
Net gain (loss) on sale of assets			
	<b>Gain (Loss)</b>	N/A	
			\$ (16,977,264)
Unrealized appreciation (depreciation) of assets			
			0
Other income			
			37,103
Change in accrued income			
			0
	<b>Total Income</b>		\$ (9,579,016)
		<b>Expenses</b>	
Benefit payments			
	Participants/beneficiaries	7,473,103	
	Other payments	0	
	<b>Total Payments</b>	0	
			\$ 7,473,103
Administrative expenses			
		75,699	
	<b>Total Administrative Expenses</b>		\$ 75,699
	<b>Total Expenses</b>		\$ (7,548,802)
	<b>Net Income</b>		\$ (17,127,818)

## Investment Return

The annualize dollar weighted rate of investment return on market values during the preceding years is set forth below:

<u>Year End</u>	<u>Annualized Rate</u>
December 31, 2022	(10.81%)
December 31, 2021	18.57%
December 31, 2020	11.77%

## Development of valuation Assets

The development of valuation assets as of January 1, 2023 for the plan is presented below:

Market Value Assets, January 1, 2023	\$ 143,656,006
Benefits Payable	0
Benefits Receivable	0
Fee Reversal	0
Valuation Assets	\$ 143,656,006

## Reconciliation of Employee Contributions Cash Balance Account

	<b>PreTax Contributions</b>	<b>Post Tax Contributions</b>	<b>Total</b>
As of December 31, 2021	\$ 6,402,488	\$ 259,532	\$ 6,662,020
Employee Contributions	238,455	92,523	330,978
Data Correction (Prior Year Payments)	(456,890)	0	(456,890)
Interest Credited	389,010	18,553	407,563
Payouts	(143,101)	(69,782)	(212,883)
Adjustments (Cash Refund Annuity)	(43,363)	0	(43,363)
As of December 31, 2022	\$ 6,386,599	\$ 300,826	\$ 6,687,425
	6,386,599		6,655,881

## Mandatory Employee Contributions

	<b>Total Accumulated</b>	<b>2022 Contribution</b>
Tier 3 Employees	\$ 1,836,658	\$ 369,308
Tier 4 Employees	N/A	N/A

## Actuarial Computations

### Determination of Supplemental Liability

Entry Age Normal Past Service Liability as of January 1, 2023	\$	195,578,819
Trust Fund		152,073,912
		<hr/>
Unfunded Supplemental Liability as of January 1, 2023	\$	43,504,907

### Determination of Experience Gain or Loss as of January 1, 2021

Unfunded Actuarial Liability as of January 1, 2022	\$	16,555,170
Normal Cost for the prior plan year		2,257,541
Interest at the valuation rate		1,316,890
Contributions for the prior plan year		(7,361,145)
Cash balance increase with interest		351,234
Interest on contributions		(252,414)
		<hr/>
Expected Unfunded Actuarial Liability as of January 1, 2023	\$	12,867,277
Assumption Changes		2,177,793
		<hr/>
Expected Unfunded Actuarial Liability after Changes	\$	15,045,070
Actual Unfunded Actuarial Liability as of January 1, 2023		43,504,907
		<hr/>
Experience Gain or (Loss)	\$	(28,459,837)

## Actuarial Balance Sheet

### Assets

Trust Fund	\$	152,073,912
Unfunded Supplemental Liability		43,504,907
Present Value of Future Normal Cost		14,145,133
Total	\$	209,723,952

### Liabilities

Present Value of Benefits		
Retired Participants	\$	90,011,897
Deferred Vested Participants		7,833,963
Active Participants		105,190,667
Cash Balance Account		6,687,425
Total	\$	209,723,952

## Determination of Normal Cost

The Normal Cost attributable to the plan year commencing January 1, 2023 is determined as follows:

Entry Age Normal - Normal Cost	\$	2,354,516
Expected Employee Contributions	\$	(324,394)
Net Normal Cost	\$	2,030,122
Annual Payroll of Participants		30,238,979
<b>Normal Cost Percentage</b>		<b>6.71%</b>

## Determination of Annual Funding levels

The recommended funding level is calculated as the sum of the normal cost for the plan year, plus amounts required to amortize the initial unfunded liabilities over 30 years plus experience gain/(loss) from the prior year.

*City of Franklin Employees' Pension Plan and Trust*  
*January 1, 2023*

		<b>Recommended Funding Level</b>
Normal Cost	\$	2,030,122
Amortization Charges		6,964,427
Amortization Credits		(2,295,797)
Interest at the Valuation Rate		320,608
<b>Contribution Amount</b>	<b>\$</b>	<b>7,019,361</b>
<b>Contribution as a Percentage of Total Covered Payroll</b>		<b>23.21%</b>

## Amortization Bases

### Amortization Charge Bases

Description	Year Established	Original Amount	Period Remaining	Prior Payment	Balance	Current Payment
2014 Unfunded Liability	01/01/2014	4,291,887	9	\$ 402,497	\$ 2,805,928	\$ 401,162
2015 Experience Loss	01/01/2015	3,768,423	12	334,843	2,845,722	333,372
2016 Experience Loss	01/01/2016	13,637,630	13	1,209,931	10,820,032	1,204,207
2017 Experience Loss	01/01/2017	4,381,222	14	388,130	3,631,989	386,167
2018 Change of Assumptions	01/01/2018	1,530,808	15	135,420	1,319,736	134,692
2019 Experience Loss	01/01/2019	13,988,079	16	1,236,041	12,493,796	1,229,012
2019 Change of Assumptions	01/01/2019	1,191,865	16	105,318	1,064,543	104,719
2020 Change of Assumption	01/01/2020	1,706,426	17	150,661	1,573,899	149,759
2021 Assumption Change	01/01/2021	1,853,652	18	163,569	1,760,533	162,543
2022 Assumption Change	01/02/2022	1,990,836	19	175,627	1,942,274	174,475
2023 Assumption Change	01/01/2023	2,177,793	20	N/A	2,177,793	190,808
2023 Experience Loss	01/01/2023	28,459,837	20	N/A	28,459,837	2,493,511
<b>Total Charges</b>					<b>\$ 70,896,082</b>	<b>\$ 6,964,427</b>
Weighted average amort period:		10.17974327	period:	16.0395017		

### Amortization Credit Bases

Description	Year Established	Original Amount	Period Remaining	Prior Payment	12/31/2022 Balance	Current Payment
2018 Experience Gain	01/01/2018	(2,342,428)	15	\$ (207,219)	\$ (2,019,448)	\$ (206,105)
2019 Other	01/01/2019	(240,517)	16	(21,253)	(214,824)	(21,132)
2020 Experience Gain	01/01/2020	(10,631,030)	17	(938,616)	(9,805,387)	(932,997)
2021 Experience Gain	01/01/2021	(193,523)	18	(17,077)	(183,801)	(16,970)
2022 Other	01/01/2022	(1,281,971)	19	(113,093)	(1,250,700)	(112,351)
2022 Experience Gain	01/01/2022	(11,481,658)	19	(1,012,885)	(11,201,587)	(1,006,243)
<b>Total Credits</b>					<b>\$ (24,675,747)</b>	<b>\$ (2,295,797)</b>
<b>Total</b>					<b>\$ 46,220,335</b>	<b>\$ 4,668,630</b>

## Analysis of Plan Experience

Experience gains and losses occur due to differences between anticipated and actual experience and may over significant periods of observation be important indicators of the accuracy of the actuarial assumptions used in determining contribution levels.

	<u>Gain/(Loss)</u>
Investment	(19,380,687)
Retirement Decrement	(2,082,698)
Termination Decrement	(1,523,713)
Disability	(105,372)
Retiree Mortality	(242,613)
Compensation & COLA Increase	(4,859,560)
Other Mortality	(179,659)
Transfers	31,544
Data Corrections	(117,079)
Asset remeasured Remeasured	
<b>Total Gain/(Loss)</b>	<b><u>(28,459,837)</u></b>

## Accrued Benefit Information

In the current regulatory environment, accrued benefit values are utilized for a number of purposes. Information is presented in this table to satisfy those requirements. A description of the terms used herein is set forth below.

*Vested accrued retirement benefits* are those benefits which each employee has earned as of the valuation date. Vested benefits are calculated in accordance with the normal, early and deferred vested retirement provisions of the plan. The value of these benefits is determined using the actuarial assumptions shown in Basis of Valuation section of this report, including mortality and retirement rates. Similarly, *accrued retirement benefits* are benefits which each employee has earned as of the valuation date without regard to plan vesting provisions. The basis for calculation of these benefits is similar to that of vested accrued retirement benefits except that values attributable to certain otherwise forfeitable benefits are also included.

The *accumulated benefit value* is the current value of accrued retirement benefits determined using the interest rate applied to determine funding requirements. This value is useful, in comparison to plan assets, in evaluating the progress of the funding policy.

**Number of Members**

Retired	257
Beneficiaries	32
Disabled	3
Deferred Vested	183
Active Fully Vested	405
Active Partially Vested	0
Active Nonvested	(8)

**Total Annual Amount of Vested Accrued Benefits**

Retired	7,746,156
Deferred Vested	1,684,344
Active Vested	N/A

**Accumulated  
Benefit Value**

Applicable Interest Rate	6.90%
<b>Present Value of Vested Accrued Benefits</b>	
Retired	\$ 90,011,897
Deferred Vested	7,833,963
Active Vested	53,277,740
<b>Total</b>	<b>\$ 151,123,600</b>
Present Value of Accrued Benefits	\$ 164,765,127
Market Value of Assets	\$ 152,073,912

## Accumulated Benefit Value Reconciliation

Presented below is a reconciliation of changes in accumulated benefit values during the prior year.

Accumulated Benefit Value, January 1, 2022	\$	147,795,574
Benefit accrual during the plan year		12,503,580
Benefit payments		(7,473,103)
Interest		10,084,132
Actuarial assumptions change		0
Plan Amendments		0
Assumption Change		1,854,944
Accumulated Benefit Value, January 1, 2023	\$	164,765,127

## Participant Data Reconciliation

	Active	Deferred Vested	Retired & Beneficiaries	Disabled
01/01/2022				
Participants	406	193	271	3
New Participants	0	0	0	0
Vested Terminations	0	0	0	0
Nonvested Terminations	0	0	0	0
Retired	(12)	(9)	21	0
Disabled	0	0	0	0
Rehired	0	0	0	0
Deceased	0	0	(3)	0
Lump Sum Payments	0	0	0	0
Data Corrections	3	(1)	0	0
Survivors	0	0	0	0
No Further Benefits	0	0	0	0
01/01/2023				
Participants	397	183	289	3
<b>Averages</b>				
Attained Age	48.85	51.88	67.76	73.99
Past Service	16.74	N/A	N/A	N/A
Average Salary	\$ 76,169	N/A	N/A	N/A
Average Benefit Payment	N/A	\$767	\$2,228	\$1,724

Distribution of Active Participants' Earnings

Annual Earnings by Age

Age	TIER I			TIER II			TIER III			TOTAL		
	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings
Under 20	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
20-24	0	0	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	3	157,515	52,505	3	157,515	52,505
30-34	0	0	0	0	0	0	21	1,406,445	66,974	21	1,406,445	66,974
35-39	3	216,942	72,314	10	790,024	79,002	24	1,610,858	67,119	37	2,617,824	70,752
40-44	40	3,249,053	81,226	22	1,759,297	79,968	16	1,020,324	63,770	78	6,028,674	77,291
45-49	46	3,860,649	83,927	20	1,568,820	78,441	13	973,664	74,897	79	6,403,132	81,052
50-54	58	4,647,477	80,129	16	1,213,571	75,848	12	726,310	60,526	86	6,587,358	76,597
55-59	30	2,449,635	81,655	8	658,017	82,252	7	440,076	62,868	45	3,547,727	78,838
60-64	19	1,467,120	77,217	9	582,054	64,673	9	498,330	55,370	37	2,547,504	68,851
65-69	4	294,011	73,503	2	242,209	121,104	1	48,344	48,344	7	584,564	83,509
70-74	1	77,312	77,312	2	122,253	61,126	1	158,671	158,671	4	358,236	89,559
75-79	0	0	0	0	0	0	0	0	0	0	0	0
80 & Over	0	0	0	0	0	0	0	0	0	0	0	0

Distribution of Active Participants' Earnings

Service	TIER I			TIER II			TIER III			TOTAL		
	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings	Number of People	Total Annual Earnings	Average Annual Earnings
Under 5	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0	0	\$0	\$0
5-9	2	178,176	89,088	0	0	0	83	5,426,118	65,375	85	5,604,295	65,933
14-Oct	1	46,373	46,373	42	3,327,059	79,216	24	1,614,418	67,267	67	4,987,850	74,446
15-19	76	5,836,359	76,794	47	3,609,185	76,791	0	0	0	123	9,445,544	76,793
20-24	87	6,946,040	79,840	0	0	0	0	0	0	87	6,946,040	79,840
25-29	29	2,657,160	91,626	0	0	0	0	0	0	29	2,657,160	91,626
30-34	3	330,414	110,138	0	0	0	0	0	0	3	330,414	110,138
35-39	2	167,696	83,848	0	0	0	0	0	0	2	167,696	83,848
40 & Over	1	99,979	99,979	0	0	0	0	0	0	1	99,979	99,979
<b>Total</b>	<b>201</b>	<b>\$16,262,198</b>	<b>\$80,906</b>	<b>89</b>	<b>\$6,936,244</b>	<b>\$77,935</b>	<b>107</b>	<b>\$7,040,536</b>	<b>\$65,799</b>	<b>397</b>	<b>\$30,238,979</b>	<b>\$76,169</b>

## Distribution of Active Participants

TIER I										
Years of Service										
AGE	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	TOTAL
Under 20	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
35-39	0	1	0	2	0	0	0	0	0	3
40-44	0	0	0	25	15	0	0	0	0	40
45-49	0	1	1	17	19	8	0	0	0	46
50-54	0	0	0	13	31	12	2	0	0	58
55-59	0	0	0	11	11	6	0	2	0	30
60-64	0	0	0	6	9	3	1	0	0	19
65-69	0	0	0	2	1	0	0	0	1	4
70-74	0	0	0	0	1	0	0	0	0	1
75 & Over	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>76</b>	<b>87</b>	<b>29</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>201</b>

## Distribution of Active Participants

TIER II										
Years of Service										
AGE	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	TOTAL
Under 20	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
35-39	0	0	5	5	0	0	0	0	0	10
40-44	0	0	12	10	0	0	0	0	0	22
45-49	0	0	7	13	0	0	0	0	0	20
50-54	0	0	8	8	0	0	0	0	0	16
55-59	0	0	5	3	0	0	0	0	0	8
60-64	0	0	4	5	0	0	0	0	0	9
65-69	0	0	1	1	0	0	0	0	0	2
70-74	0	0	0	2	0	0	0	0	0	2
75 & Over	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>47</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>89</b>

## Distribution of Active Participants

TIER III										
Years of Service										
AGE	Under 5	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Over	TOTAL
Under 20	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	3	0	0	0	0	0	0	0	3
30-34	0	21	0	0	0	0	0	0	0	21
35-39	0	16	8	0	0	0	0	0	0	24
40-44	0	13	3	0	0	0	0	0	0	16
45-49	0	10	3	0	0	0	0	0	0	13
50-54	0	5	7	0	0	0	0	0	0	12
55-59	0	4	3	0	0	0	0	0	0	7
60-64	0	9	0	0	0	0	0	0	0	9
65-69	0	1	0	0	0	0	0	0	0	1
70-74	0	1	0	0	0	0	0	0	0	1
75 & Over	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>83</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>107</b>

## Distribution of Inactive Active Participants with Average Annual Benefit

Attained Age	Beneficiaries	Disabled	Retirees	Terminated Vested	Total
Under 45	3	0	0	50	53
	\$2,249	\$0	\$0	\$10,157	\$9,709
45-49	0	0	1	29	30
	\$0	\$0	\$39,033	\$8,850	\$9,857
50-54	1	0	16	36	53
	\$70,478	\$0	\$47,088	\$10,500	\$27,084
55-59	1	0	32	31	64
	\$2,240	\$0	\$43,065	\$9,549	\$26,571
60-64	2	0	41	23	66
	\$16,746	\$0	\$36,150	\$8,517	\$25,932
65-69	4	1	65	7	77
	\$14,396	\$5,639	\$21,836	\$6,061	\$19,805
70-74	8	0	60	4	72
	\$16,991	\$0	\$21,850	\$1,409	\$20,175
75-79	2	2	24	3	31
	\$11,509	\$7,525	\$24,396	\$631	\$20,176
80-84	4	0	10	0	14
	\$14,128	\$0	\$20,446	\$0	\$18,641
85-89	1	0	6	0	7
	\$10,142	\$0	\$22,034	\$0	\$20,335
90 & Over	1	0	1	0	2
	1,173	0	16,894	0	9,033
<b>TOTAL</b>	<b>32</b>	<b>3</b>	<b>257</b>	<b>183</b>	<b>475</b>
	<b>\$14,517</b>	<b>\$6,896</b>	<b>\$32,487</b>	<b>\$9,204</b>	<b>\$24,150</b>

# City of Franklin Employees' Pension Plan

## *2023 Funding Valuation*

September 11, 2023

**Kevin Sullivan, FSA, FCAS, EA | Principal**



CONSULTING  
GROUP

# COF Employees' Pension Plan Agenda

- Background on the Plan/Active Populations
- Assumption Update
- Key Results – 2023 Funding
- Key Demographics
- TCRS Open Plan Update

# COF Employees' Pension Plan Background

The Pension Plan and Benefit of a City Employee is Determined by Their Hire Date

Hired Before January 1, 2017 (City of Franklin Pension Plan – the “Closed Plan”  
There are four Tiers within the Plan

Hired on or After January 1, 2017 - TCRS Plan

Tier 1  
(Hired before 7/1/2006)

Tier 2  
(Hired between 7/1/2006 and 2/15/2010)

Tier 3  
(Hired after 2/15/2010 and elected to contribute to the Plan)

Tier 4  
(Hired after 2/15/2010 and did not elect to contribute to the Plan)

# COF Employees' Pension Plan

## Background

### Employee classification

- **Tier I**
    - Employees hired before July 1, 2006 (Voluntary contribution - pre/post tax)
    - Normal retirement as early as 25 years of Credited Service
  - **Tier II**
    - Employees hired between July 1, 2006 and February 15, 2010
    - Normal retirement at 65/5 years of service
  - **Tier III**
    - Employees hired after February 15, 2010 who elected to contribute to the Plan.
  - **Tier IV**
    - Employees hired after February 15, 2010 who elected to contribute to a defined contribution plan. This valuation holds no liability for this group.
- Effective January 1, 2017, the Plan was closed to new Participants, Census data for those employees was not provided.

# COF Employees' Pension Plan

## *Assumption/Method Updates*

- In 2023, the discount rate changed from 7.00% to 6.90%.
  - Continues the pattern of reducing the rate by 10 basis points each year
  - The change in discount rate caused an increase in the liability of \$2.0MM and \$0.2MM in the contribution
- For the 2023 valuation, the funded status and contribution is based on the Actuarial Value of Assets
  - Actuarial Value of Assets is a Five-Year Smoothed Value
  - Gains and losses are recognized over a five-year period
  - Generally results in a more stable contribution

# COF Employees' Pension Plan

## Actuarial Value of Assets

### Determination of Valuation Assets

Market Assets, January 1, 2022	\$160,783,824
Weighted Prior Year Contributions	1,748,783
Weighted Prior Year Distributions	(3,752,445)
Subtotal	<u>158,780,162</u>
Expected Interest	11,114,611
Total Contributions	7,361,145
Total Distributions	<u>(7,804,981)</u>
Expected Asset Value, January 1, 2023	\$171,454,599
Market Asset Value, January 1, 2023	<u>143,656,006</u>
Variance from Expected Asset Value	<u>\$(27,798,593)</u>

2022	\$27,798,593
2021	(15,371,000)
2020	(5,969,280)
2019	(11,053,282)

Market Asset Value for January 1, 2023	\$143,656,006
-80% of 2022 Variance	22,238,874
-60% of 2021 Variance	(9,222,600)
-40% of 2020 Variance	(2,387,712)
-20% of 2019 Variance	<u>(2,210,656)</u>
Actuarial Valuation Assets Before Limits	<u>\$152,073,912</u>

Limits of Actuarial Value of assets	
a. 90% of Market Value including accruals	\$129,290,405
b. 110% of Market Value including accruals	158,021,607
Actuarial Value of Assets after limits	152,073,912

# COF Employees' Pension Plan

## How Well Funded is the Plan?

All measures using 6.90% Discount Rate

Liability Measure	Liability	Asset Value (Actuarial Value)	Funded Ratio	2022 Funded Ratio	Comments
<b>Present Value of Benefits</b> – Value of all benefits expected to be earned by all current participants	\$209.7MM	\$152.1MM	72.5%	84.1%	Not a useful measure of the funded status
<b>Entry Age Normal Accrued Liability</b> – Liability to date under the required funding method	\$195.6MM	\$152.1MM	77.8%	90.7%	The best measure of funded status. Generally considered “well funded” to be above 80%
<b>Accumulated Benefit Obligation</b> – Liability if everyone terminated on the valuation date	\$164.8MM	\$152.1MM	92.3%	108.8%	Include nonvested benefits

# COF Employees' Pension Plan

## Key Results - Funding

	2023	2022	2021	2020
Number of Participants				
Active	397	406	438	466
Deferred Vested	183	193	184	179
Retired and Disabled	292	274	261	238
Annual Covered Payroll	\$ 30,238,979	\$ 29,370,570	\$ 29,868,272	\$ 30,013,785
Average Annual Earnings	\$ 76,169	\$ 72,341	\$ 68,192	\$ 64,407
Present Value of Benefits	\$209,723,952	\$191,134,494	\$179,661,796	\$ 165,401,042
Entry Age Normal Past Service Liability	\$195,578,819	\$177,338,994	\$165,278,119	\$151,162,490
Actuarial Value of Assets	\$152,073,912	\$160,783,824	\$136,804,759	\$123,325,787
Unfunded Supplemental Liability	\$43,504,907	\$16,555,170	\$28,473,360	\$27,836,703
<b>Annual Funding Levels</b>				
Normal Cost	\$ 2,354,516	\$ 2,257,541	\$ 2,303,771	\$ 2,344,647
Normal Cost Rate	7.79%	7.69%	7.71%	7.81%
Expected Employee Contribution	\$ (324,394)	\$ (300,756)	\$ (314,541)	\$ (321,389)
Net Normal Cost	\$ 2,030,122	\$ 1,956,785	\$ 1,989,230	\$ 2,023,258
Net Normal Cost % of Payroll	6.71%	6.66%	6.66%	6.74%
Recommended Contribution	\$ 7,019,361	\$ 4,117,466	\$ 5,160,362	\$ 5,061,105
% of Payroll	23.21%	14.02%	17.28%	16.86%
Present Value of Accrued Benefits	\$164,765,127	\$147,795,574	\$135,949,251	\$ 122,667,986
Security Ratio	92.30%	108.79%	100.63%	100.54%

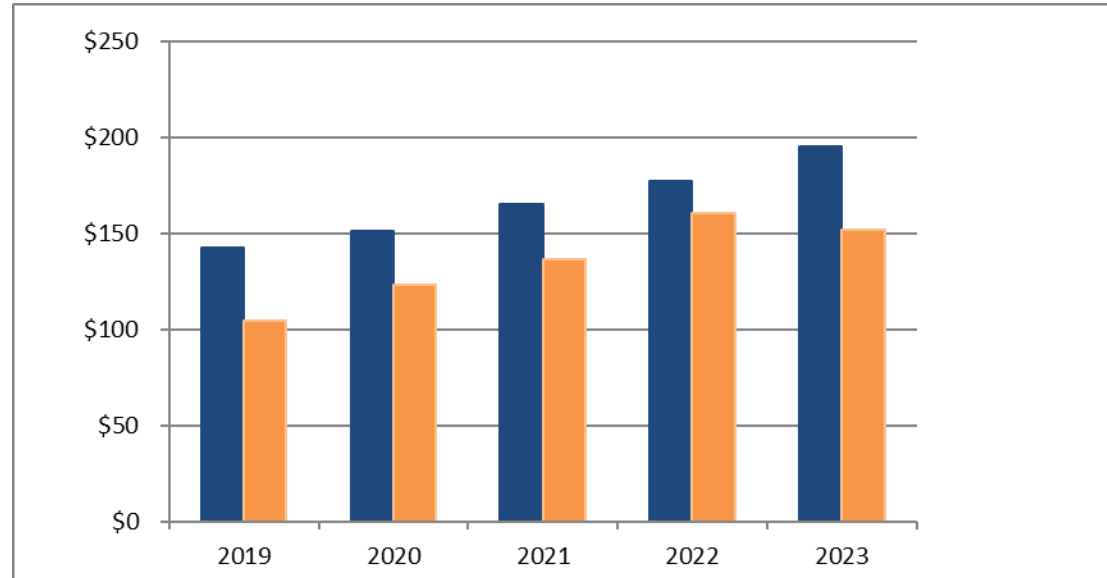
# COF Employees' Pension Plan

## Funded Status (in millions)

- The funded status decreased from 2022 to 2023.

### Key Factors

- Discount rate decline increased the liability
- Negative asset return lowered the asset value (change to 5 year smoothing partially offset that impact).



	2019	2020	2021	2022	2023
Liability <span style="color: #003366;">■</span>	\$142.7	\$151.2	\$165.2	\$177.4	\$195.6
Asset Value <span style="color: #FF8C00;">■</span>	\$104.8	\$123.3	\$136.8	\$160.8	\$152.1
Funded Ratio	73.44%	81.55%	82.81%	90.7%	77.8%
Interest Rate	7.30%	7.20%	7.10%	7.00%	6.90%

# COF Employees' Pension Plan

## Recommended Cash Contribution (in millions)

- The Total contribution is [Normal cost - Expected Employee contribution + Amortization of Unfunded Liabilities]

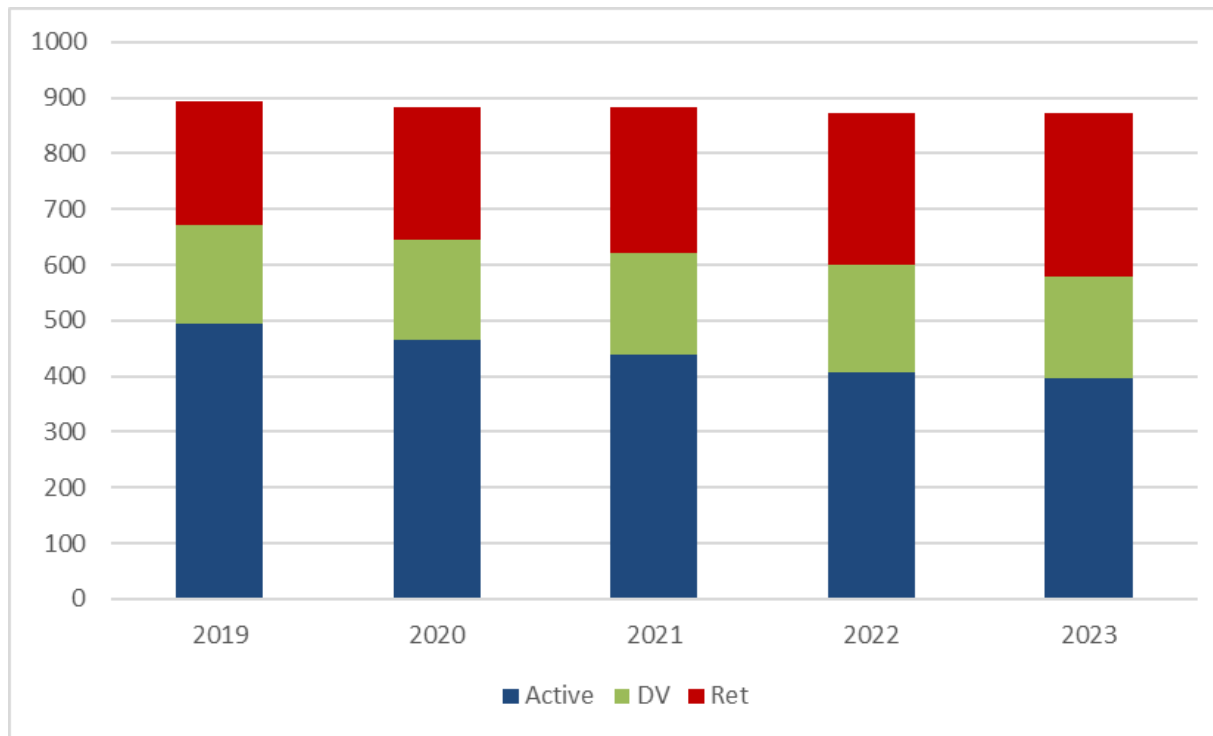


Year	2018	2019	2020	2021	2022	2023
Contribution	\$4.30	\$5.90	\$5.10	\$5.70	\$4.11	\$7.02

# COF Employees' Pension Plan

## Demographics

- No new entrants beginning on January 1, 2017



# COF Employees' Pension Plan

## Gain/Loss Summary for 2021

	<u>Gain/(Loss)</u>
Investment	(19,380,687)
Retirement Decrement	(2,082,698)
Termination Decrement	(1,523,713)
Disability	(105,372)
Retiree Mortality	(242,613)
Compensation & COLA Increase	(4,859,560)
Other Mortality	(179,659)
Transfers	31,544
Data Corrections	(117,079)
<b>Total Gain/(Loss)</b>	<b>(28,459,837)</b>

# TCRS Open Plan Summary

	2022	2021
Valuation Date	June 30, 2022	June 30, 2021
Contribution Period	7/1/2023 – 6/30/2024	7/1/2022 – 6/30/2023
Active Members	273	205
Annualized Salary	\$14,092,368	\$9,949,267
Inactive Members	103	70
Discount Rate	6.75%	6.75%
Present Value of Benefits	\$23,228,626	\$16,572,459
Employee Contribution Rate	5.00%	5.00%
Employer ADC Rate	7.35%	7.22%
Actuarial Accrued Liability	\$5,164,298	\$3,320,420
Actuarial Value of Assets	\$4,671,539	\$3,139,572
Funded Ratio	90.5%	94.6%

# Questions/Discussion

- ---
- ---
- ---
- ---
- ---



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**File #: 21-05137**

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**DATE:** August 21, 2023  
**TO:** Pension Committee  
**FROM:** Trey Sizemore  
Laura Hancock

**SUBJECT:**

Report From Mission Square, Administrator Of The City's Defined Contribution Retirement Plans

**PURPOSE:**

The purpose of this memorandum is to provide information to the Pension Committee concerning the City's Defined Contribution Retirement Plans.

**BACKGROUND/STAFF COMMENTS:**

Mission Square, formerly known as ICMA-RC, is the administrator of the Defined Contribution Retirement Plans offered to the City's employees. All full time employees are eligible to participate in a 457 plan retirement savings program. Certain employees are eligible for an employer matching program utilizing both 457 (employee) and 401 (employer) accounts. Defined contribution retirement plans are an important benefit to offer employees as they financially prepare for retirement.

**FINANCIAL IMPACT:**

Employees may contribute on a pre-tax basis up to IRS set limits on a 457 and Roth defined contribution retirement plans. There is no city expense associated with 457 and Roth programs. The City (employer) contributes varying amounts of matching funds to certain defined contribution retirement accounts. In FY 2023, the City contributed \$314,004.98 to defined contribution accounts of participating full time employees.

**RECOMMENDATION:**

This presentation is for information purposes only.



# Visual Analytics

Prepared For:

CITY OF FRANKLIN, TN(S5606)

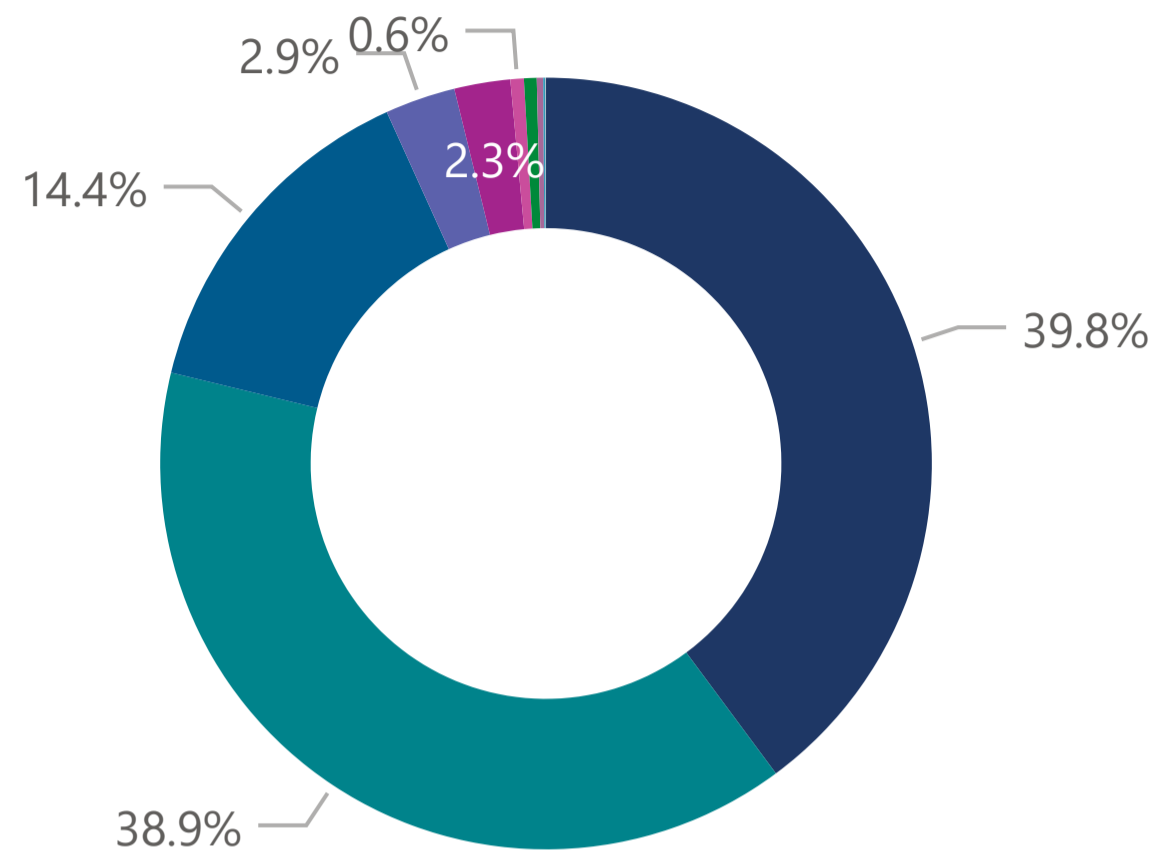




As of Date: 7/31/2023

### Balance Summary

Balance  
**\$32.0M**  
 Participant Accounts  
**834**



**Plan**

- 401 (108069) CITY OF FRANKLIN
- 457 (304178) CITY OF FRANKLIN
- 401 (106106) CITY OF FRANKLIN
- 457 (306779) CITY OF FRANKLIN
- IRA (705085) CITY OF FRANKLIN
- 457 (307573) CITY OF FRANKLIN
- 401 (109793) CITY OF FRANKLIN
- RHS (803653) CITY OF FRANKLIN
- 401 (100190) CITY OF FRANKLIN
- RHS (801233) CITY OF FRANKLIN

### Balance Summary

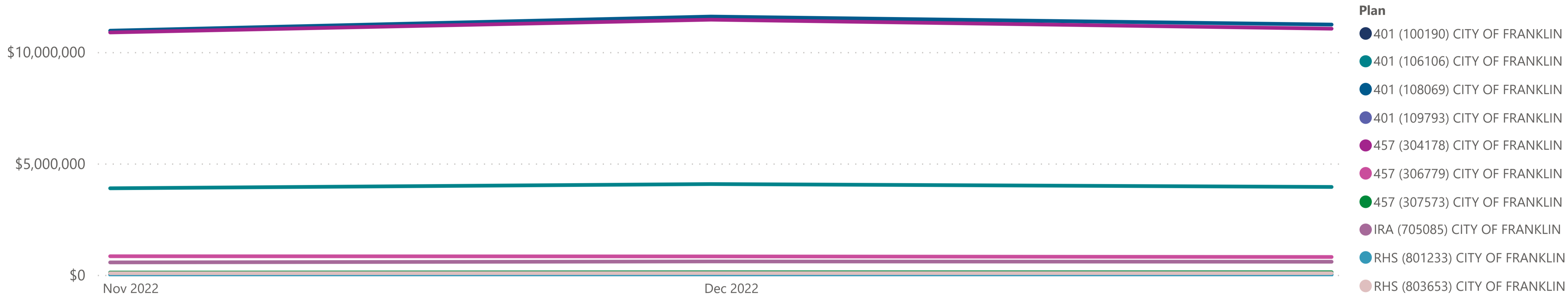
Plan	Balance	Participant Accounts
401 (108069) CITY OF FRANKLIN	\$12,747,607	277
457 (304178) CITY OF FRANKLIN	\$12,460,418	226
401 (106106) CITY OF FRANKLIN	\$4,620,747	89
457 (306779) CITY OF FRANKLIN	\$943,695	65
IRA (705085) CITY OF FRANKLIN	\$750,130	71
457 (307573) CITY OF FRANKLIN	\$180,279	51
401 (109793) CITY OF FRANKLIN	\$169,921	50
RHS (803653) CITY OF FRANKLIN	\$85,164	3
401 (100190) CITY OF FRANKLIN	\$31,931	1
<b>Total</b>	<b>\$31,995,535</b>	<b>834</b>



Month End Date Select: Start October 2022 ▼

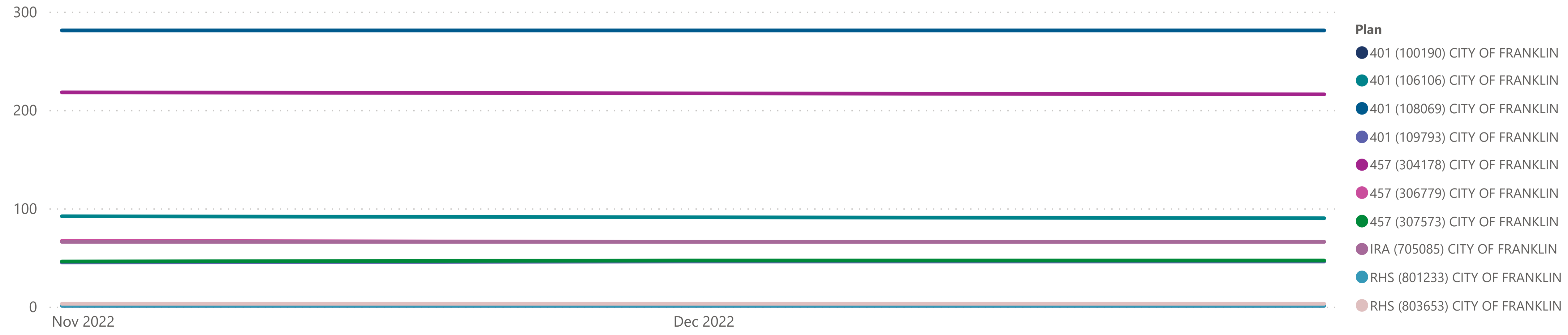
End December 2022 ▼

### Balance Trend (Month End)



- Plan**
- 401 (100190) CITY OF FRANKLIN
  - 401 (106106) CITY OF FRANKLIN
  - 401 (108069) CITY OF FRANKLIN
  - 401 (109793) CITY OF FRANKLIN
  - 457 (304178) CITY OF FRANKLIN
  - 457 (306779) CITY OF FRANKLIN
  - 457 (307573) CITY OF FRANKLIN
  - IRA (705085) CITY OF FRANKLIN
  - RHS (801233) CITY OF FRANKLIN
  - RHS (803653) CITY OF FRANKLIN

### Participant Accounts (Month End)



- Plan**
- 401 (100190) CITY OF FRANKLIN
  - 401 (106106) CITY OF FRANKLIN
  - 401 (108069) CITY OF FRANKLIN
  - 401 (109793) CITY OF FRANKLIN
  - 457 (304178) CITY OF FRANKLIN
  - 457 (306779) CITY OF FRANKLIN
  - 457 (307573) CITY OF FRANKLIN
  - IRA (705085) CITY OF FRANKLIN
  - RHS (801233) CITY OF FRANKLIN
  - RHS (803653) CITY OF FRANKLIN



As of Date 7/31/2023

Plan

- 401 (100190) CITY OF FRANKLIN
- 401 (106106) CITY OF FRANKLIN
- 401 (108069) CITY OF FRANKLIN
- 401 (109793) CITY OF FRANKLIN
- 457 (304178) CITY OF FRANKLIN
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- 457 (307573) CITY OF FRANKLIN
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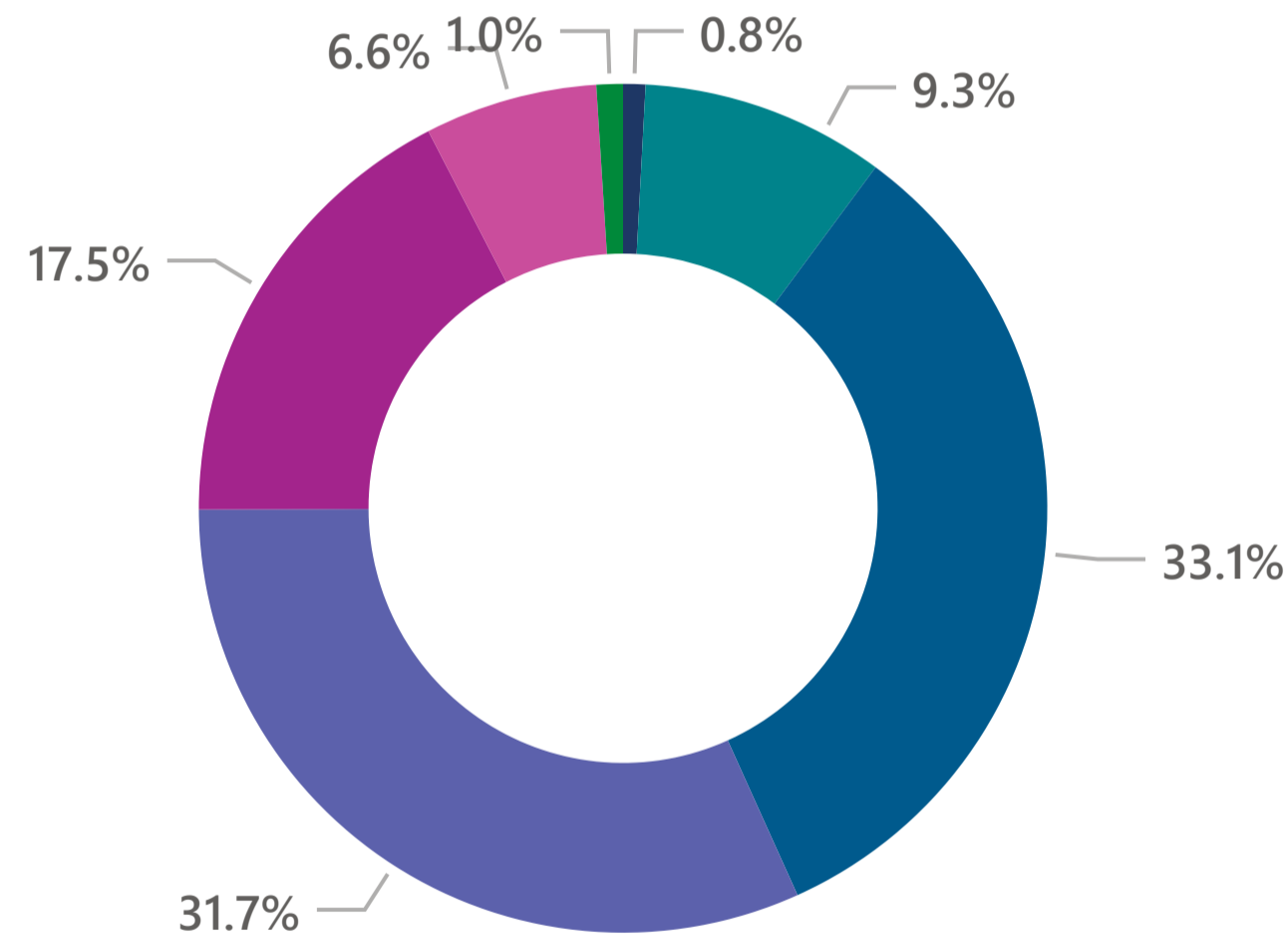
Age Group

- <30
- 30-39
- 40-49
- 50-59
- 60-69
- >69
- N/A

Gender

- Female
- Male
- N/A

Asset Allocation by Age Group

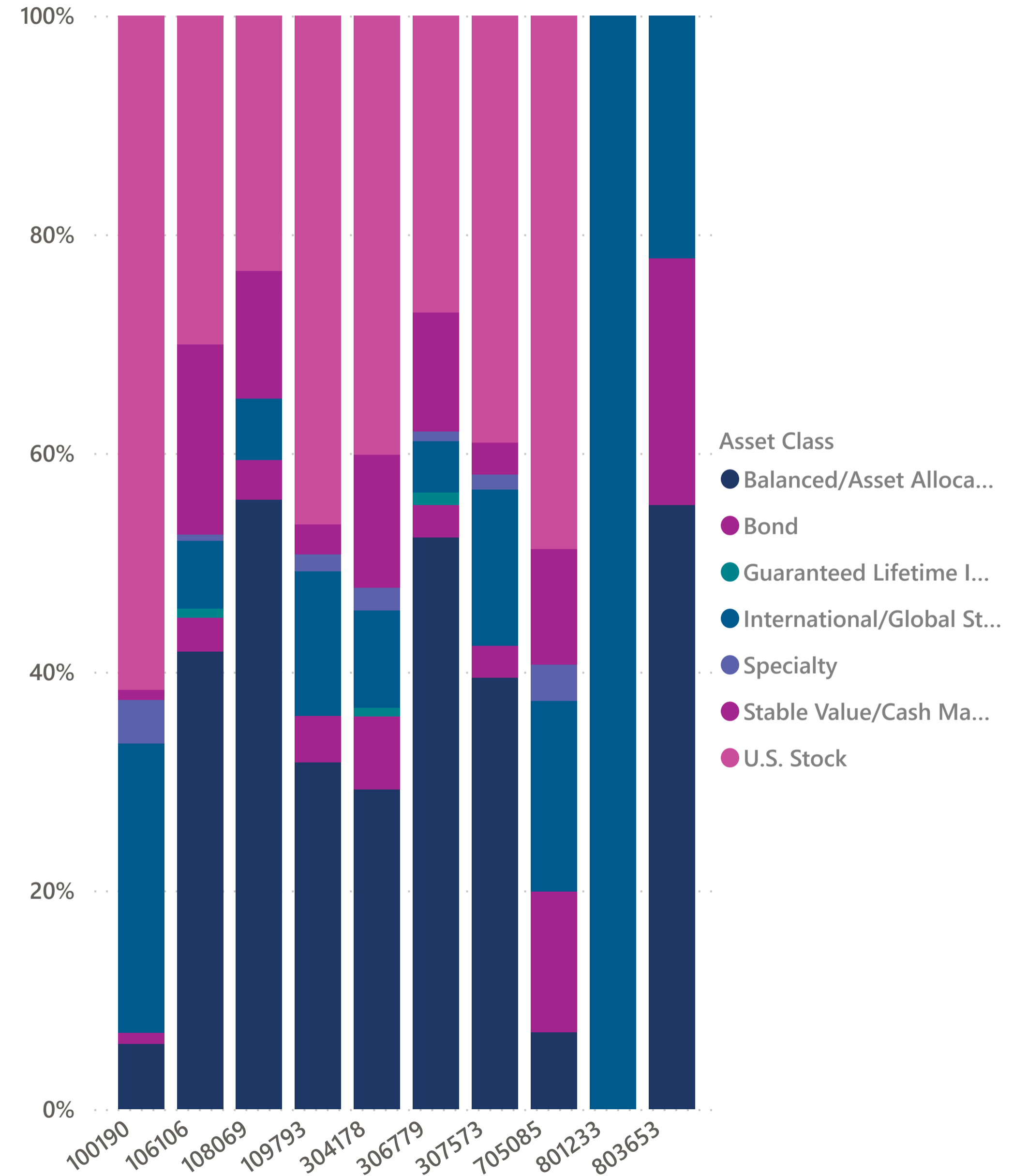


Assets

Participants

Age Group ● <30 ● 30-39 ● 40-49 ● 50-59 ● 60-69 ● >69 ▶

Asset Allocation by Asset Class





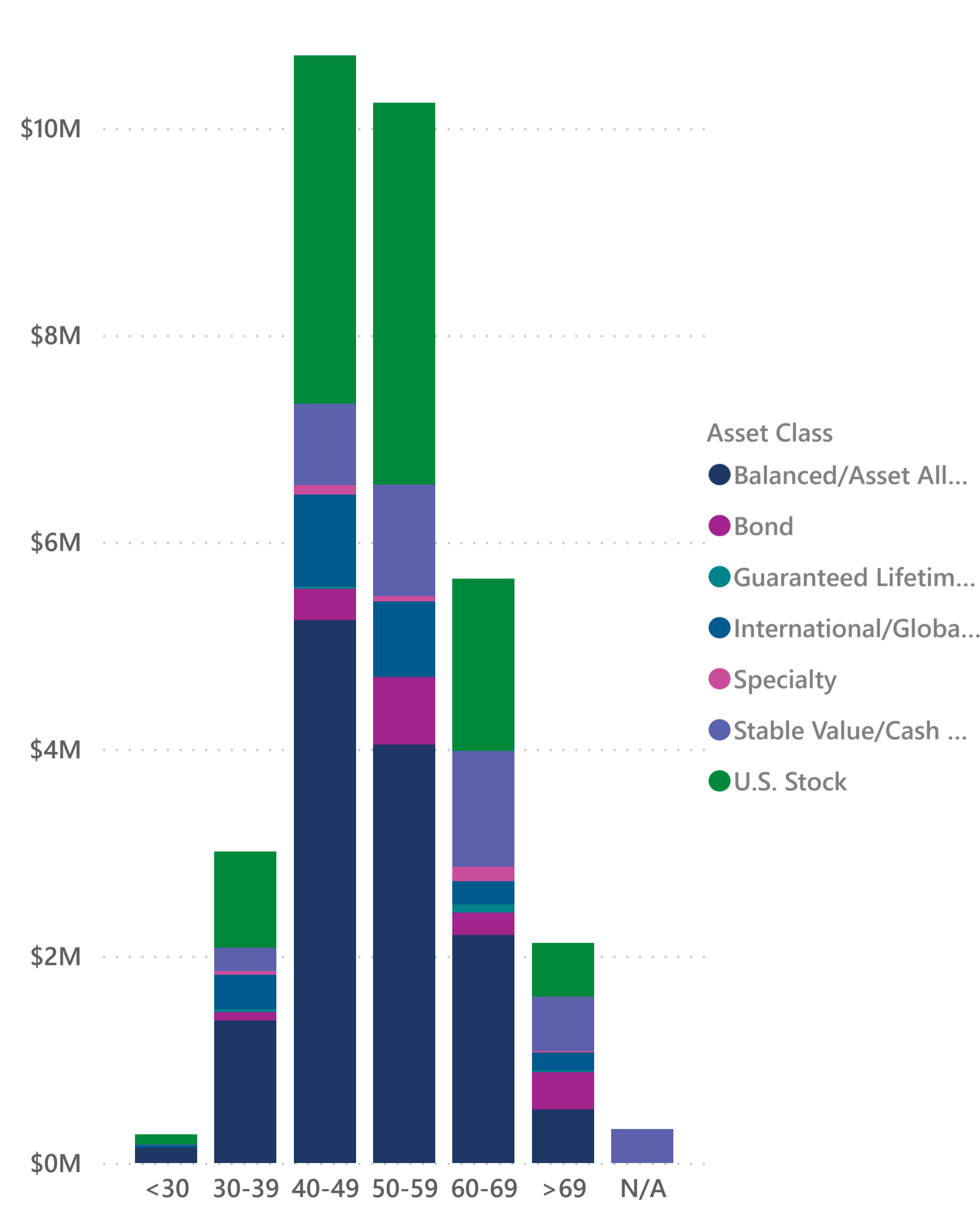
As of Date 7/31/2023

- Plan**
- 401 (100190) CITY OF FRANKLIN
  - 401 (106106) CITY OF FRANKLIN
  - 401 (108069) CITY OF FRANKLIN
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  - 457 (307573) CITY OF FRANKLIN
  - IRA (705085) CITY OF FRANKLIN
  - RHS (801233) CITY OF FRANKLIN
  - RHS (803653) CITY OF FRANKLIN

- Asset Class**
- Balanced/Asset Allocation
  - Bond
  - Guaranteed Lifetime Income
  - International/Global Stock
  - Specialty
  - Stable Value/Cash Management
  - U.S. Stock

- Age Group**
- <30
  - 30-39
  - 40-49
  - 50-59
  - 60-69
  - >69
  - N/A
- Gender**
- Female
  - Male
  - N/A

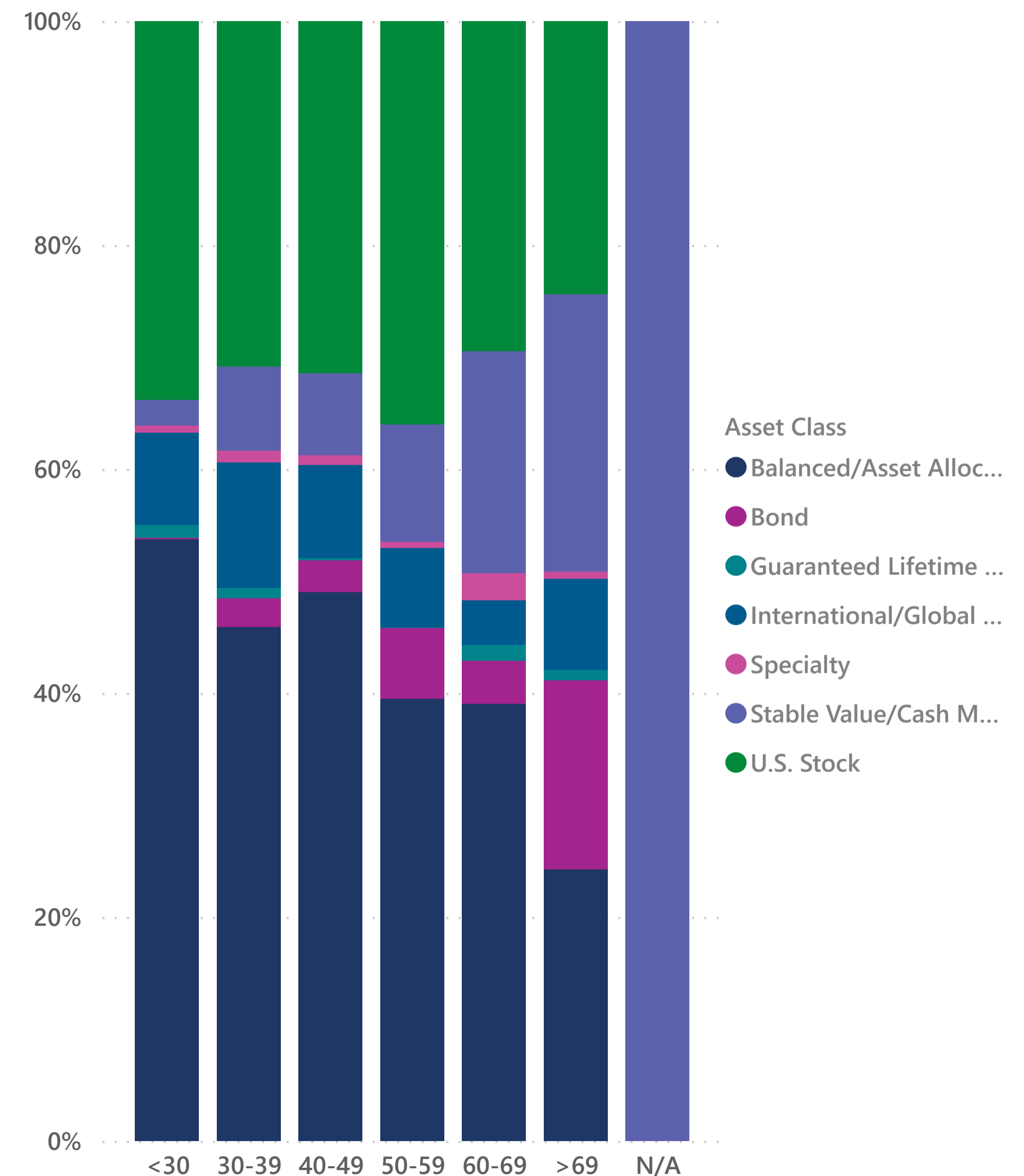
Participant Asset Allocation (\$)



Assets

Contributions

Participant Asset Allocation (%)



Assets

Contributions



Select Dates: Start

January 2017

End

July 2023

% by Amount

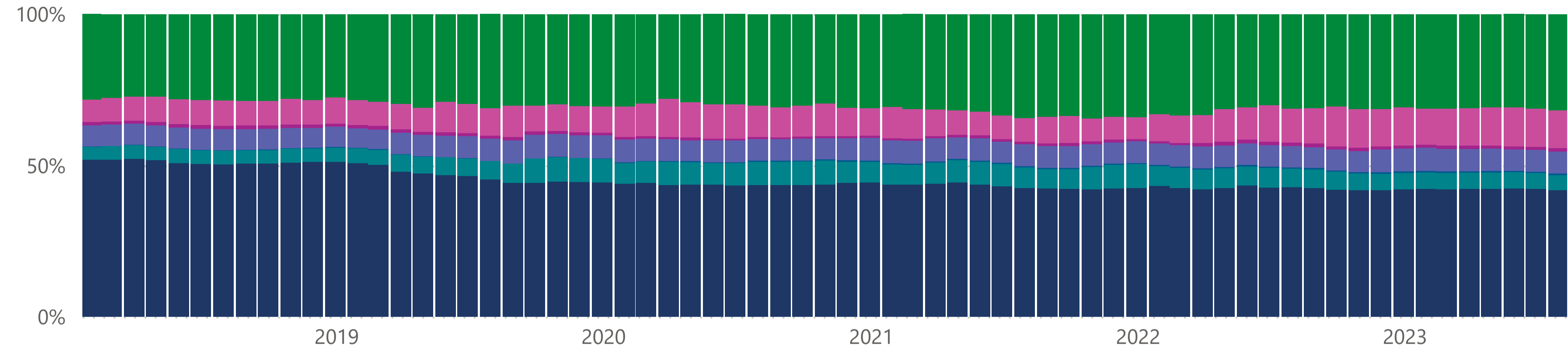
Amount

Details

Plan

- 401 (100190) CITY OF FRANKLIN
- 401 (106106) CITY OF FRANKLIN
- 401 (108069) CITY OF FRANKLIN
- 401 (109793) CITY OF FRANKLIN
- 457 (304178) CITY OF FRANKLIN
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- 457 (307573) CITY OF FRANKLIN
- IRA (705085) CITY OF FRANKLIN
- RHS (801233) CITY OF FRANKLIN
- RHS (803653) CITY OF FRANKLIN

Asset Allocation Trend (Month End)



Asset Class ● Balanced/Asset Allocation ● Bond ● Guaranteed Lifetime Inco... ● International/Global ... ● Specialty ● Stable Value/Cash ... ● U.S. Stock

Asset Class

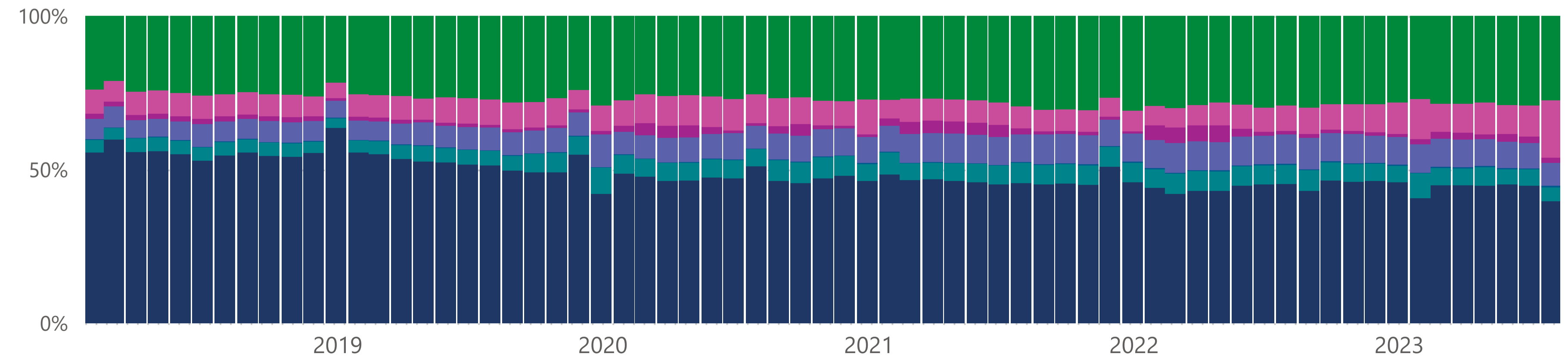
- Balanced/Asset Allocation
- Bond
- Guaranteed Lifetime Income
- International/Global Stock
- Specialty
- Stable Value/Cash Management
- U.S. Stock

% by Amount

Amount

Details

Contribution Allocation Trend (Monthly)



Asset Class ● Balanced/Asset Allocation ● Bond ● Guaranteed Lifetime Inco... ● International/Global ... ● Specialty ● Stable Value/Cash ... ● U.S. Stock

Age Group

- <30
- 30-39
- 40-49
- 50-59
- 60-69
- >69
- N/A

Gender

- Female
- Male
- N/A





Select Dates: Start January 2018

End July 2023

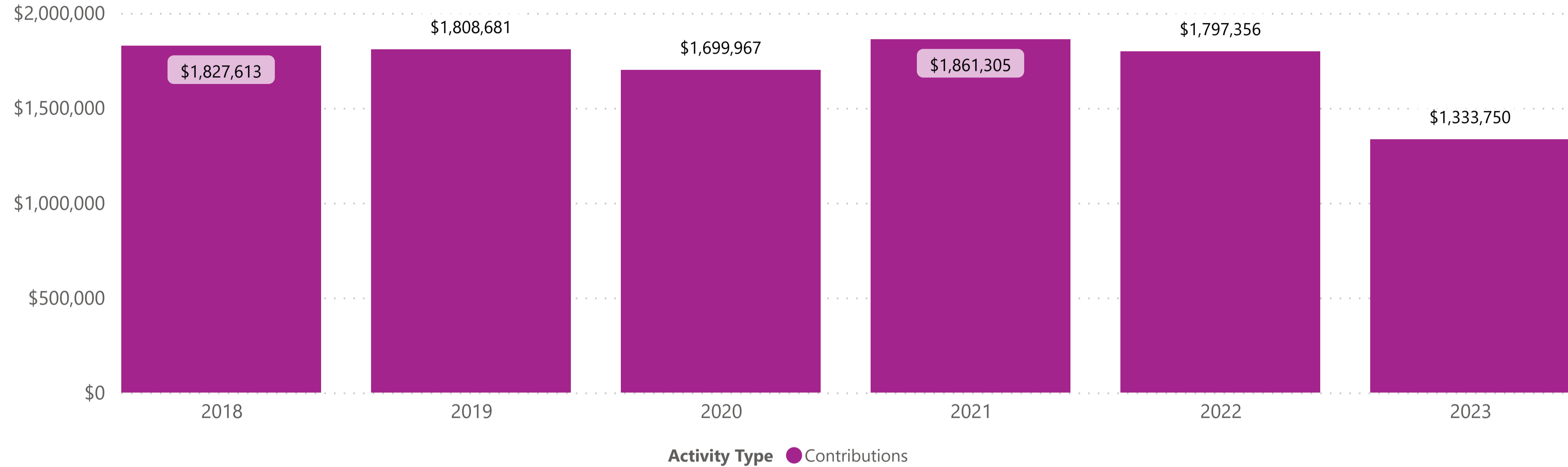
Quarter All

Month All

Plan

- 401 (100190) CITY OF FRANKLIN
- 401 (106106) CITY OF FRANKLIN
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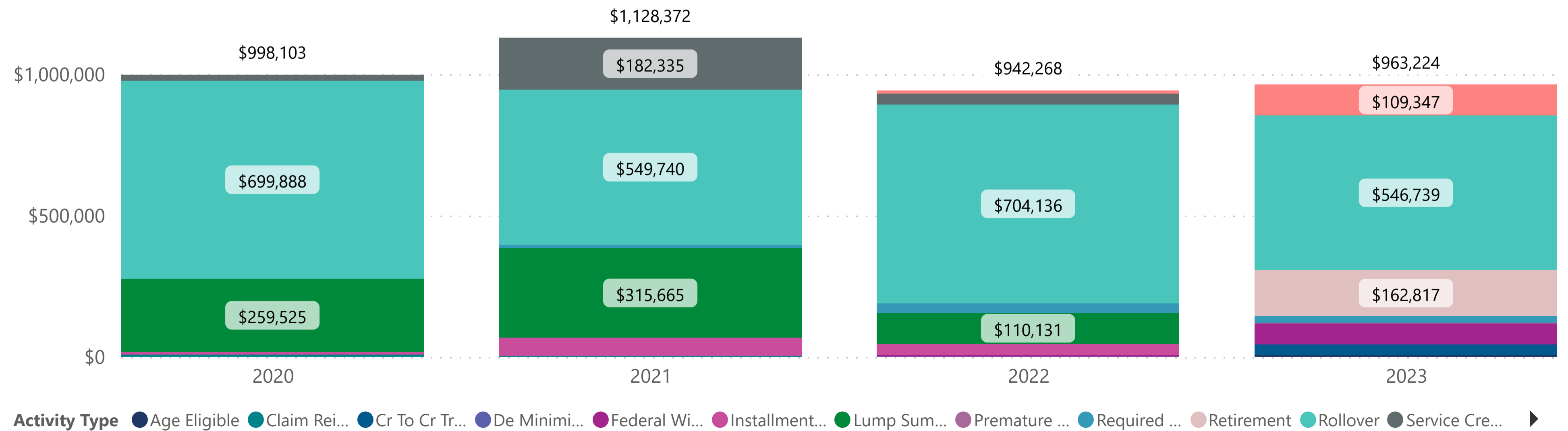
Contributions/Roll-Ins



Contributions/Roll-Ins

- Contributions
- Roll-Ins

Participant Disbursements (activity 2020 to present only)



Disbursements

- Age Eligible
- Claim Reimbursement
- Cr To Cr Transfer Out
- De Minimis Payment
- Federal Withholding
- Installment Payment
- Lump Sum Withdrawal
- Premature Distribution
- Required Minimum Distribution
- Retirement
- Rollover
- Service Credit Purchase



Select Dates:

Start Date

End Date

January 2017

July 2023

Cash Flow (Normal) Cash Flow (All)

Quarter

Month

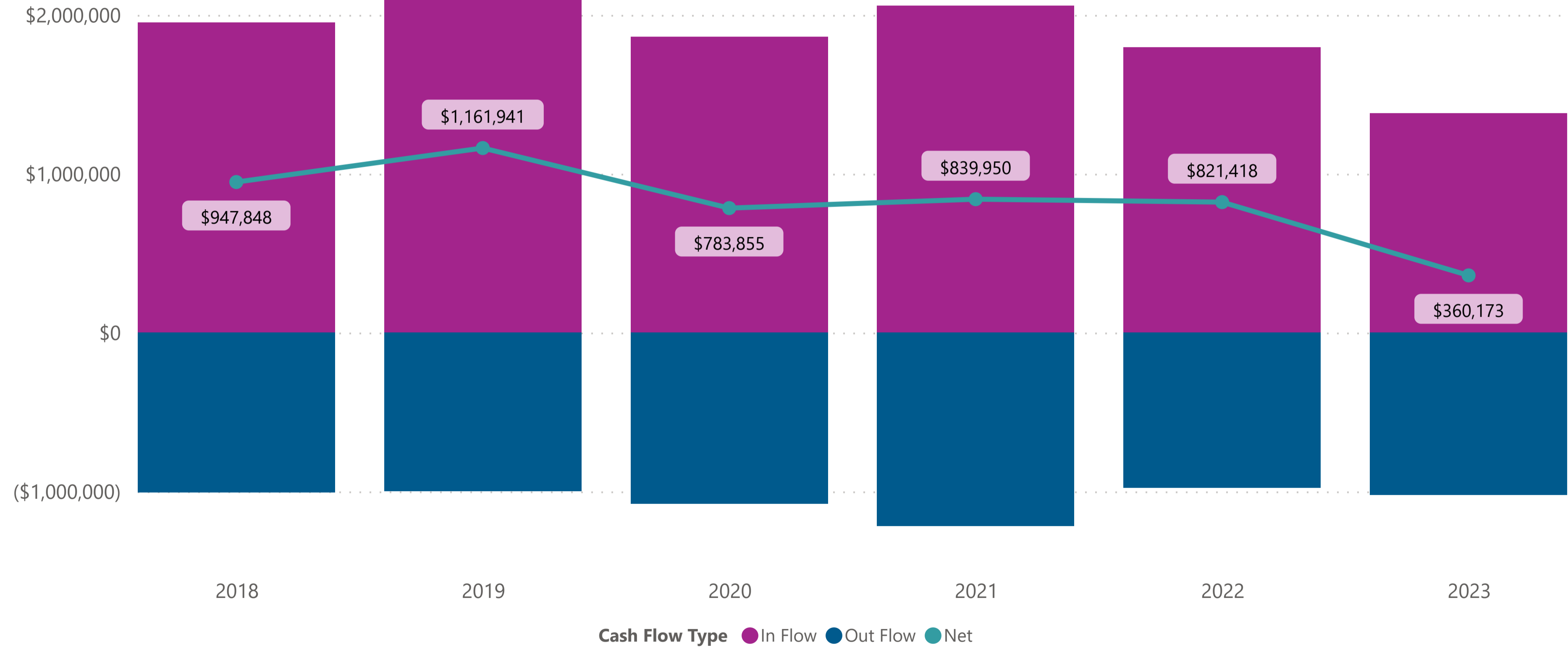
All

All

Plan

- 401 (100190) CITY OF FRANKLIN
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- 401 (108069) CITY OF FRANKLIN
- 401 (109793) CITY OF FRANKLIN
- 457 (304178) CITY OF FRANKLIN
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- 457 (307573) CITY OF FRANKLIN
- IRA (705085) CITY OF FRANKLIN
- RHS (801233) CITY OF FRANKLIN
- RHS (803653) CITY OF FRANKLIN

Cash Flow



**Important Note** - Cash Flow is shown here in two different ways :

1. Cash Flow (Normal) : Excluding Conversion In/Out
2. Cash Flow (All) : Including Conversion In/Out

**Select Dates:**

Start Date

End Date

**Outstanding Loan Balance Trend (Month End)**

No Data For Selected Criteria

January 2017 

July 2023 

**Plan**

**Loan Activity (Monthly)**

No Data For Selected Criteria

**Loan Activity Type**

- Loan Issuances
- Loan Repayments

## **Guidance on Section 603 of the SECURE 2.0 Act with Respect to Catch-Up Contributions**

Notice 2023-62

### **I. PURPOSE**

This notice provides guidance with respect to section 603 of Division T of the Consolidated Appropriations Act, 2023, Pub. L. 117-328, 136 Stat. 4459 (2022), known as the SECURE 2.0 Act of 2022 (SECURE 2.0 Act). Among other changes, section 603 of the SECURE 2.0 Act requires that, in the case of certain eligible participants, catch-up contributions under section 414(v)(1) of the Internal Revenue Code (Code) must be designated as Roth contributions pursuant to an employee election.

This notice is not intended to provide comprehensive guidance as to section 603 of the SECURE 2.0 Act, but rather is intended to provide guidance on particular issues to assist in the implementation of that section. This notice also announces a 2-year administrative transition period with respect to the requirement under section 603 of the SECURE 2.0 Act that catch-up contributions made on behalf of certain eligible participants be designated as Roth contributions. The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) have been made aware of taxpayer concerns with being able to timely implement section 603 of the SECURE 2.0 Act. The administrative transition period described in this notice is intended to facilitate an orderly transition for compliance with that requirement.

The Treasury Department and the IRS continue to work on implementation of section 603 of the SECURE 2.0 Act and intend to issue further guidance, as described

in section V of this notice. The Treasury Department and the IRS invite comments on this notice and any other aspect of section 603 of the SECURE 2.0 Act.

## **II. BACKGROUND**

Section 414(v)(1) of the Code provides that an applicable employer plan (as defined in section 414(v)(6)(A)) will not be treated as failing to meet any requirement of the Code solely because the plan permits an eligible participant (as defined in section 414(v)(5)) to make additional elective deferrals under section 414(v) (catch-up contributions) in any plan year. Section 414(v)(3)(A)(i) further provides that a catch-up contribution is not, with respect to the year in which the contribution is made, subject to any otherwise applicable limitation contained in section 401(a)(30) (that is, the limitation on the exclusion of elective deferrals from gross income under section 402(g)(1)(A)), 403(b) (including the requirement under section 403(b)(1)(E) that a contract purchased under a salary reduction agreement satisfy the requirements of section 401(a)(30)), or 457(b)(2) (determined without regard to section 457(b)(3)), among other provisions.

Section 603(a) of the SECURE 2.0 Act amends section 414(v) of the Code to add section 414(v)(7). Section 414(v)(7)(A) generally provides that, in the case of an eligible participant whose wages (as defined in section 3121(a)) for the preceding calendar year from the employer sponsoring the plan exceed \$145,000 (as adjusted under section 414(v)(7)(E)), section 414(v)(1) applies only if any catch-up contributions are designated Roth contributions (as defined in section 402A(c)(1)) made pursuant to an employee election.

Section 414(v)(7)(B) provides that, in the case of an applicable employer plan with respect to which section 414(v)(7)(A) applies to any participant for a plan year,

section 414(v)(1) does not apply to the plan unless the plan provides that any eligible participant may make catch-up contributions as designated Roth contributions. Thus, if a plan provides that an eligible participant who is subject to the requirements of section 414(v)(7)(A) may make catch-up contributions as designated Roth contributions, then all eligible participants in the plan must be permitted to make catch-up contributions as designated Roth contributions.

Section 414(v)(7)(C) provides that section 414(v)(7)(A) does not apply in the case of an applicable employer plan described in section 414(v)(6)(A)(iv) (a SEP arrangement under section 408(k) or a SIMPLE IRA plan under section 408(p)). Thus, section 414(v)(7)(A) applies in the case of an applicable employer plan that is a qualified plan under section 401(a) (including a section 401(k) plan), a section 403(b) plan, or a section 457(b) plan maintained by an employer described in section 457(e)(1)(A) (an eligible governmental plan).

Section 414(v)(7)(D) provides that the Secretary (the Secretary of the Treasury or the Secretary's delegate) may provide by regulations that an eligible participant may elect to change the participant's election to make catch-up contributions if the participant's compensation is determined to exceed the limitation under section 414(v)(7)(A) after the election is made.

Section 603(b) of the SECURE 2.0 Act includes conforming amendments with respect to section 603(a). Section 603(b)(1) of the SECURE 2.0 Act strikes section 402(g)(1)(C) of the Code. Prior to that amendment, section 402(g)(1)(C) provided that an eligible participant's gross income does not include elective deferrals in

excess of the applicable dollar amount under section 402(g)(1)(B)<sup>1</sup> to the extent that the amount of those elective deferrals does not exceed the applicable dollar amount under section 414(v)(2)(B)(i)<sup>2</sup> for the taxable year (without regard to the treatment of the elective deferrals by an applicable employer plan under section 414(v)).

Section 603(b)(2) of the SECURE 2.0 Act amends section 457(e)(18)(A)(ii) of the Code to replace “the applicable dollar amount for the taxable year determined under section 414(v)(2)(B)(i), or” with “the lesser of any designated Roth contributions made by the participant to the plan or the applicable dollar amount for the taxable year determined under section 414(v)(2)(B)(i), or”.

Section 603(c) of the SECURE 2.0 Act provides that the amendments made by section 603 apply to taxable years beginning after December 31, 2023.

### **III. GUIDANCE ON SECTION 603 OF THE SECURE 2.0 ACT**

#### **A. Catch-Up Contributions for Taxable Years Beginning After December 31, 2023**

Pursuant to section 414(v)(1), an applicable employer plan is not treated as failing to meet any requirement of the Code solely because the plan permits an eligible participant to make catch-up contributions under section 414(v) in any plan year.

Accordingly, for taxable years beginning after December 31, 2023, an applicable employer plan may permit an eligible participant to make elective deferrals under the plan that exceed the applicable dollar amount under section 402(g)(1)(B) (or deferrals under the plan that exceed the applicable dollar amount under section 457(e)(15)) if those contributions in excess of the applicable dollar amount satisfy the requirements

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<sup>1</sup> The applicable dollar amount under section 402(g)(1)(B) is \$22,500 for 2023.

<sup>2</sup> The applicable dollar amount under section 414(v)(2)(B)(i) is \$7,500 for 2023.

under section 414(v) for catch-up contributions. The elimination of section 402(g)(1)(C) of the Code under section 603(b)(1) of the SECURE 2.0 Act does not change this result for taxable years beginning after December 31, 2023.<sup>3</sup>

If an eligible participant is subject to the requirements of section 414(v)(7)(A), then any catch-up contributions that are made to the plan on behalf of the participant must be designated as Roth contributions. However, if an eligible participant is not subject to the requirements of section 414(v)(7)(A), then any catch-up contributions that are made to the plan on behalf of the participant are not required to be designated as Roth contributions. In that case, any catch-up contributions under section 414(v) that are made to the plan on behalf of the participant that are not designated as Roth contributions are not includible in the participant's gross income under section 402(g)(1)(A) (and do not exceed the limitation in section 457(b)(2)) because, in accordance with section 414(v)(3)(A)(i), the limitations on elective deferrals under sections 401(a)(30) and 403(b) (and the limitation on deferrals under section 457(b)(2)) do not apply to those catch-up contributions.

#### B. Elective Deferrals Made to Two or More Plans

If an individual makes elective deferrals to two or more plans during a taxable year (including plans maintained by unrelated employers), then, under section 402(g)(1)(A), those elective deferrals are aggregated for purposes of determining whether the amount of the individual's elective deferrals exceeds the applicable dollar amount under section 402(g)(1)(B). Similarly, an eligible participant's elective deferrals

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<sup>3</sup> Proposed regulations, which were issued before the enactment in 2002 of section 402(g)(1)(C), permitted catch-up contributions in excess of the applicable dollar amount under section 402(g)(1)(B) or 457(e)(15) for purposes of section 414(v). See proposed § 1.414(v)-1(a)(1) and (b)(1)(i), 66 FR 53555 (the 2001 NPRM).

made to two or more plans during a taxable year are also aggregated for purposes of applying the limitation on the amount of catch-up contributions under section 414(v)(2). The elimination of section 402(g)(1)(C) of the Code under section 603(b)(1) of the SECURE 2.0 Act does not change this result for taxable years beginning after December 31, 2023.<sup>4</sup>

#### **IV. ADMINISTRATIVE TRANSITION PERIOD**

Under section 603(c) of the SECURE 2.0 Act, the provisions of section 603 apply to taxable years beginning after December 31, 2023. However, the first two taxable years beginning after December 31, 2023, will be regarded as an administrative transition period with respect to the requirement under section 414(v)(7)(A) of the Code that catch-up contributions made on behalf of certain eligible participants be designated as Roth contributions. Specifically, until taxable years beginning after December 31, 2025, (1) those catch-up contributions will be treated as satisfying the requirements of section 414(v)(7)(A), even if the contributions are not designated as Roth contributions, and (2) a plan that does not provide for designated Roth contributions will be treated as satisfying the requirements of section 414(v)(7)(B).

#### **V. GUIDANCE UNDER CONSIDERATION REGARDING SECTION 603 OF THE SECURE 2.0 ACT**

As noted in section I of this notice, the Treasury Department and the IRS intend to issue further guidance to assist taxpayers with the implementation of section 603 of the SECURE 2.0 Act. The guidance that the Treasury Department and the IRS

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<sup>4</sup> Proposed § 1.414(v)-1(g) of the 2001 NPRM also provided for aggregation of an eligible participant's elective deferrals made to two or more plans for purposes of section 414(v)(2).

anticipate issuing with respect to section 603 of the SECURE 2.0 Act, after taking into account any comments received, is expected to include:

1. Guidance clarifying that section 414(v)(7)(A) of the Code would not apply in the case of an eligible participant who does not have wages as defined in section 3121(a) (that is, wages for purposes of the Federal Insurance Contributions Act (FICA)) for the preceding calendar year from the employer sponsoring the plan. For example, under that guidance, if an eligible participant did not have any wages for purposes of FICA for the preceding calendar year because the individual was a partner (or other self-employed individual) receiving self-employment income or because the individual was a State or local government employee whose services were excluded from the definition of employment under section 3121(b)(7), then the eligible participant would not be subject to the requirements of section 414(v)(7)(A).
2. Guidance providing that, in the case of an eligible participant who is subject to section 414(v)(7)(A), the plan administrator and the employer would be permitted to treat an election by the participant to make catch-up contributions on a pre-tax basis as an election by the participant to make catch-up contributions that are designated Roth contributions.<sup>5</sup>
3. Guidance addressing an applicable employer plan that is maintained by more than one employer (including a multiemployer plan). The guidance would provide that an eligible participant's wages for the preceding calendar year from one participating

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<sup>5</sup> Under section 402A(c)(1)(B), an employee may designate elective deferrals as Roth contributions at such time and in such manner as the Secretary may prescribe. Sections 1.401(k)-1(f)(1)(i) and 1.403(b)-3(c)(1) provide that a designation of an elective contribution as a Roth contribution must be made at the time of the cash or deferred election, and a similar rule applies to an eligible governmental plan.

employer would not be aggregated with the wages from another participating employer for purposes of determining whether the participant's wages for that year exceed \$145,000 (as adjusted). For example, under that guidance, if an eligible participant's wages for a calendar year were: (1) \$100,000 from one participating employer; and (2) \$125,000 from another participating employer, then the participant's catch-up contributions under the plan for the next year would not be subject to section 414(v)(7)(A) (even if the participant's aggregate wages from the participating employers for the prior calendar year exceed \$145,000, as adjusted). The guidance also would provide that, even if an eligible participant is subject to section 414(v)(7)(A) because the participant's wages from one participating employer in the plan for the preceding calendar year exceed \$145,000 (as adjusted), elective deferrals made on behalf of the participant by another participating employer that are catch-up contributions would not be required to be designated as Roth contributions unless the participant's wages for the preceding calendar year from that other employer also exceed that amount.

## **VI. REQUEST FOR COMMENTS**

The Treasury Department and the IRS invite comments and suggestions regarding the matters discussed in this notice and any other aspect of section 603 of the SECURE 2.0 Act. In particular, the Treasury Department and the IRS request comments on section V of this notice.

In addition, comments are requested with respect to whether the intended guidance should address a plan that permits eligible participants to make catch-up contributions under section 414(v) but does not include a qualified Roth contribution

program. In particular, should the guidance provide that such a plan will not fail to satisfy section 414(v)(4) (which provides that all eligible participants must be allowed to make the same election with respect to catch-up contributions) or section 414(v)(7)(B), merely because the plan provides that eligible participants who are not subject to section 414(v)(7)(A) are permitted to make catch-up contributions while eligible participants who are subject to section 414(v)(7)(A) are prohibited from making catch-up contributions.<sup>6</sup>

Comments should be submitted in writing on or before October 24, 2023, and should include a reference to Notice 2023-62. Comments may be submitted electronically via the Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov) (type “IRS-2023-0039” in the search field on the Regulations.gov home page to find this notice and submit comments). Alternatively, comments may be submitted by mail to: Internal Revenue Service, Attn: CC:PA:LPD:PR (Notice 2023-62), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044.

The Treasury Department and the IRS will publish for public availability any comment submitted electronically or on paper to its public docket.

## **VII. DRAFTING INFORMATION**

The principal author of this notice is the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). However, other personnel from the Treasury Department and the IRS participated in the development of

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<sup>6</sup> Under section 402A(a), an applicable retirement plan may, but is not required to, include a qualified Roth contribution program. However, in the case of an eligible participant who is subject to section 414(v)(7)(A), the catch-up contribution provisions of section 414(v)(1) apply only if any catch-up contributions are designated as Roth contributions. Accordingly, if an applicable employer plan does not include a qualified Roth contribution program, then an eligible participant who is subject to section 414(v)(7)(A) would be prohibited from making catch-up contributions under the plan.

this guidance. For further information regarding this notice, contact Kara M. Soderstrom at (202) 317-6799 (not a toll-free number).

# An Employer's Guide to SECURE Act 2.0

On December 29, 2022, the Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act was signed into law as part of a year-end appropriations bill. MissionSquare Retirement supports its intent to improve retirement savings options and is proud to partner with public service employers to navigate the act's provisions and maximize its impacts for your employees. We've compiled a list of the key SECURE 2.0 provisions affecting governmental plans, including high-level descriptions, optionality, and effective dates. As with any new legislation, there are many questions that need to be answered, and guidance or relief will be needed for certain provisions.

## Plan Amendment Deadlines

Plan amendments related to SECURE 2.0 provisions are due by the last day of the first plan year beginning on or after January 1, 2027, for governmental plans and January 1, 2025, for nongovernmental plans, or such later date as the secretary of the treasury may prescribe.

## Key SECURE 2.0 Provisions

The key retirement SECURE 2.0 provisions to focus on are:

- Changing the Required Minimum Distribution (RMD) rules
- Requiring and expanding the use of Roth features
- Simplifying plan administration
- Establishing rules for the creation of, and access to, savings for emergency purposes
- Permitting matching contributions on student loan repayments

**Key SECURE 2.0 Provisions for Governmental Plans by Year**

<b>2023</b>			
<b>SECURE 2.0 Provision</b>	<b>Description</b>	<b>Required?</b>	<b>Effective Date</b>
RMD age increases	<ul style="list-style-type: none"> <li>Increases the age for RMDs from 72 to 73 in 2023.</li> <li>Those attaining age 72 in 2022 or earlier are unaffected.</li> <li>Increases RMD age to 75 in 2033.</li> </ul>	Mandatory	Jan. 1, 2023
RMD excise tax reduction	<ul style="list-style-type: none"> <li>Reduces the excise tax from 50% to 25% on RMDs that aren't taken in a timely manner.</li> <li>If the failure to take an RMD is corrected within a defined correction window, the excise tax on the failure is reduced even further to 10%.</li> </ul>	Mandatory	Taxable years beginning after Dec. 29, 2022
Eliminate the 457(b) "first day of the month" rule	<ul style="list-style-type: none"> <li>Allows deferral rate elections to be made at any time prior to the date that the compensation being deferred is available, thus conforming the 457(b) rule to the 401(k) and 403(b) rule.</li> </ul>	Optional	Taxable years beginning after Dec. 29, 2022
Withdrawal for federally declared disasters	<ul style="list-style-type: none"> <li>Provides permanent disaster withdrawal rules for Defined Contribution plans and IRAs that opt to permit disaster withdrawals.</li> <li>The maximum withdrawal amount is \$22,000 per disaster.</li> <li>The taxable withdrawal amount is included in income over three years unless the participant elects otherwise.</li> <li>The withdrawal is exempt from the 10% early withdrawal penalty tax, direct rollover requirements, and mandatory 20% federal tax withholding.</li> </ul>	Optional	For disasters occurring on or after Jan. 26, 2021

2023			
SECURE 2.0 Provision	Description	Required?	Effective Date
Exclusion (up to \$3,000) for health insurance payments for retired public safety officers	<ul style="list-style-type: none"> <li>Present law provides an exclusion from gross income (\$3,000) for a distribution from a governmental retirement plan to a retired public safety officer to pay for their health insurance premiums. Originally, it required that the plan directly pay the insurance company.</li> <li>SECURE 2.0 repeals the requirement to be paid directly to health plan (participant would attest on tax return).</li> </ul>	Optional	Distributions made after Dec. 29, 2022
Expansion of 10% additional tax exception for public safety officers separating at age 50	<p>Modifies the exception to:</p> <ul style="list-style-type: none"> <li>Also apply to individuals with 25 years of service under the plan.</li> <li>Be made available to corrections and forensic security officers.</li> <li>Include all firefighters (even if privately employed).</li> </ul>	Mandatory	Distributions made after Dec. 29, 2022
Self-certification for Hardship and Unforeseeable Emergency Distributions	<ul style="list-style-type: none"> <li>Employers may rely on participant written certifications that a distribution is being made when a participant is faced with an unforeseeable emergency or a hardship, as described in the Treasury regulations.</li> </ul>	Optional	Plan years beginning after Dec. 29, 2022

2024			
SECURE 2.0 Provision	Description	Required?	Effective Date
Catch-up contributions must be made on a Roth basis	<ul style="list-style-type: none"> <li>Requires that age-based catch-up contributions under an employer retirement plan must be made on a Roth basis for employees who had compensation that exceeded \$145,000 in the prior calendar year (indexed for inflation).</li> <li>Any other employee must be permitted (but not required) to elect to have catch-up contributions made on a Roth basis. This means plans that don't permit designated Roth contributions can't permit catch-up contributions.</li> <li>457(b), 401(k), and 403(b) plans will need to add designated Roth account feature (or prohibit catch-up contributions).</li> <li>Special catch-up contribution rules for 457(b) and 403(b) plans exempt.</li> </ul>	Mandatory	Taxable years beginning after Dec. 31, 2023
Exemption of pre-death RMDs from Roth accounts	<ul style="list-style-type: none"> <li>For plans with a Roth feature, this provides an exemption of Roth amounts from pre-death RMDs.</li> <li>This change aligns the RMD rules for Roth amounts under employer retirement plans with the Roth IRA RMD rules.</li> </ul>	Mandatory	Taxable years beginning after Dec. 31, 2023
Surviving spouse treated as the employee	<ul style="list-style-type: none"> <li>Permits the surviving spouse beneficiary of an employee's retirement plan account to elect to be treated as the employee for purposes of RMD rules.</li> <li>This change aligns the retirement plan RMD rules with the IRA RMD rules for sole spousal beneficiaries.</li> </ul>	Mandatory	Calendar years after Dec. 31, 2023

2024			
SECURE 2.0 Provision	Description	Required?	Effective Date
Penalty-free withdrawals for domestic abuse victims	<ul style="list-style-type: none"> <li>▪ Allows penalty-free withdrawals for domestic abuse victims from a retirement plan (excluding pension assets), including on an in-service basis, or IRA.</li> <li>▪ The aggregate amount of such withdrawals for any individual can't exceed the lesser of \$10,000 (indexed for inflation) or 50% of the employee's vested account balance.</li> <li>▪ Employers may rely on a participant's certification that the distribution is for a domestic abuse victim.</li> <li>▪ Similar to a QBAD, this distribution can be repaid and is exempt from the 10% early withdrawal penalty tax, direct rollover requirements, and mandatory 20% federal tax withholding.</li> </ul>	Optional	Distributions made after Dec. 31, 2023
EPCRS: Safe harbor for corrections of automatic deferral failures	<ul style="list-style-type: none"> <li>▪ Makes permanent the self-correction of automatic enrollment failures, automatic increase failures, and failures to implement affirmative deferral elections by employees covered under an automatic enrollment feature.</li> <li>▪ Generally, follows correction procedures currently under EPCRS (which are set to expire Dec. 31, 2023), including:                             <ul style="list-style-type: none"> <li>▪ Requirement that the failure be corrected no later than 9½ months after the end of the plan year (or earlier if the employee notifies the employer of the failure).</li> <li>▪ Requirements to make up missed matching contributions and associated earnings.</li> <li>▪ Requirement of a 45-day employee notice requirement.</li> </ul> </li> </ul>	Mandatory	Errors occurring after Dec. 31, 2023

2024			
SECURE 2.0 Provision	Description	Required?	Effective Date
Treatment of student loan payments as elective deferrals for purposes of matching contributions	<ul style="list-style-type: none"> <li>Employers for all plans will be permitted to make matching contributions with respect to qualified student loan payments.</li> <li>A qualified student loan payment is generally defined as any indebtedness incurred by the employee solely to pay qualified higher education expenses of the employee.</li> <li>The employer may rely on employee certification of qualified student loan repayments.</li> <li>For purposes of nondiscrimination testing (not applicable for governmental plans), the provision permits a plan to separately test the employees who receive matching contributions on student loan repayments.</li> </ul>	Optional	Plan years beginning after Dec. 31, 2023
Withdrawals for certain emergency expenses	<ul style="list-style-type: none"> <li>Permits withdrawals to pay for "unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses" without the Internal Revenue Code 72(t) 10% penalty tax for early withdrawal.</li> <li>The amount is limited to up to \$1,000 per year (or, if the account contains less than \$2,000, the amount that exceeds \$1,000), and the emergency withdrawal can be repaid to the plan (or IRA) within three years.</li> <li>A participant isn't permitted to take another emergency withdrawal from the same plan (or IRA) in the three-year period unless the participant has repaid the emergency withdrawal or made contributions that equal or exceed the amount of the prior emergency withdrawal to the plan (or IRA).</li> <li>These emergency expense withdrawals aren't permitted in Defined Benefit plans.</li> </ul>	Optional	Distributions made after Dec. 31, 2023

2024			
SECURE 2.0 Provision	Description	Required?	Effective Date
Emergency savings accounts linked to individual account plans	<ul style="list-style-type: none"> <li>▪ Allows ERISA employers to add a “pension-linked emergency savings account” to their retirement plan. To contribute to a pension-linked emergency savings account, an employee must meet the eligibility criteria established by the plan and not be a highly compensated employee.</li> <li>▪ Employers may opt to automatically enroll employees into the pension-linked emergency savings account with a contribution rate no greater than 3%.</li> <li>▪ The total amount in an employee’s account is limited by the plan but can’t be more than \$2,500 (indexed annually). Once the cap is reached, additional contributions may be directed to the employee’s Roth contribution account or stopped until the pension-linked emergency savings account balance falls below the cap.</li> <li>▪ There can’t be a minimum contribution or account balance requirement.</li> <li>▪ Must be funded post-tax with Roth contributions.</li> <li>▪ Withdrawals must be allowed from the account at least once per month (and processed as soon as practicable), and at least the first four withdrawals from the account may not be assessed any fees for said transaction.</li> <li>▪ Withdrawals are penalty free and don’t need to be substantiated to show a qualifying emergency cause.</li> <li>▪ The deferrals to the pension-linked emergency savings account would be eligible for any matching contributions provided under the plan, with an annual matching cap set at the \$2,500 maximum account balance.</li> </ul>	Optional. (Guidance is needed to determine whether this provision is available to governmental plans.)	Plan years beginning after Dec. 31, 2023

2024			
SECURE 2.0 Provision	Description	Required?	Effective Date
	<ul style="list-style-type: none"> <li>On termination of employment, any pension-linked emergency savings account balance can be converted to the Roth account within the plan or distributed to the participant.</li> </ul>		
Updating dollar limits for mandatory distributions	<ul style="list-style-type: none"> <li>Provision increases the threshold for making involuntary distributions from \$5,000 to \$7,000.</li> </ul>	Optional	Distributions beginning after Dec. 31, 2023
Exemption for certain auto-portability transactions	<ul style="list-style-type: none"> <li>Creates a new prohibited transaction exemption that permits a retirement plan service provider, subject to several conditions (including acknowledging fiduciary status), to provide a plan with automatic portability services that transfer a default IRA account into an employee's current employer's plan unless the employee elects otherwise.</li> <li>The U.S. Department of Labor has been directed to issue further guidance and conduct studies related to this exemption.</li> </ul>	Optional	Transactions occurring on or after Dec. 29, 2023
Rollovers from 529 plans to Roth IRAs ( <i>nongovernmental plan provision</i> )	<ul style="list-style-type: none"> <li>The designated beneficiary of a 529 account that's been maintained for at least 15 years may request a tax-free direct rollover of the account's assets to such designated beneficiary's Roth IRA.</li> <li>The rollover may not exceed the aggregate amount contributed to the 529 account (and earnings attributable thereto) before the five-year period ending on the date of the distribution, subject to a lifetime rollover maximum of \$35,000.</li> <li>The rollover is subject to Roth IRA contribution limits.</li> </ul>	Optional	Distributions after Dec. 31, 2023

2025 and Later			
SECURE 2.0 Provision	Description	Required?	Effective Date
Higher catch-up contribution limit to apply for ages 60 to 63	<ul style="list-style-type: none"> <li>The age-based catch-up contribution limit for all plans has been increased for individuals who attain age 60 through 63 to the greater of \$10,000 or 150% of the regular catch-up contribution limit for 2024 (indexed for inflation).</li> <li>The catch-up contribution limit for individuals aged 50 and older is \$7,500 in 2023.</li> </ul>	Optional	Taxable years beginning after Dec. 31, 2024
EPCRS: Expansion	<ul style="list-style-type: none"> <li>SECURE 2.0 directs changes to EPCRS (Rev. Proc. 2021-30 or any successor) to reflect that "eligible inadvertent failures" (not fully defined but broader than "operational errors") can be corrected without having to determine whether they're significant or insignificant and without time limitation, provided that:                             <ul style="list-style-type: none"> <li>The IRS doesn't discover the failure before action to correct the failure has begun.</li> <li>The correction is completed "within a reasonable period" after the failure is identified.</li> </ul> </li> </ul>	Mandatory	IRS Revenue Procedure must be updated by Dec. 29, 2024, to incorporate new self-correction rules
Reduced service requirement for long-term part-time employees	<ul style="list-style-type: none"> <li>The provision accelerates the requirement of coverage of long-term part-time employees by reducing the service condition from three years to two years.</li> <li>Excludes service prior to 2021 for the special long-term part-time employee vesting requirement so it now aligns with service that's counted for eligibility.</li> </ul>	Mandatory (for 401(k) and ERISA 403(b) plans)	Plan years beginning after Dec. 31, 2024, except as otherwise provided
Saver's Credit and promotion of Saver's Credit	<ul style="list-style-type: none"> <li>Changes the existing retirement savings contribution credit (Saver's Credit) with respect to retirement plan and IRA contributions made by eligible individuals from a nonrefundable tax credit against taxes owed (i.e., tax refund) to a federally funded matching contribution, regardless of the individual's tax obligation.</li> </ul>	Mandatory	Taxable years beginning after Dec. 31, 2026

2025 and Later			
SECURE 2.0 Provision	Description	Required?	Effective Date
	<ul style="list-style-type: none"> <li>The matching contribution is equal to 50% of the individual's contributions that don't exceed \$2,000 until the individual reaches certain income levels.</li> <li>It's subject to a phaseout between \$41,000 and \$71,000 for taxpayers filing a joint return (\$20,500 - \$35,500 for single taxpayers and married filing separate; \$30,750 - \$53,250 for head-of-household filers).</li> <li>The matching contribution is treated as a pre-tax contribution and is deposited into the individual's IRA, employer retirement plan account (provided it accepts them), or ABLE Act account as directed by the individual.</li> <li>If the matching contribution is less than \$100, it will be treated as a tax credit.</li> </ul>		
Plan amendments	<ul style="list-style-type: none"> <li>Plan amendments related to SECURE 2.0 implementation must be adopted no later than the end of 2027 for governmental plans.</li> <li>The provision also amends plan amendment deadlines for CARES, SECURE, and Taxpayer Certainty and Disaster Tax Relief Act to end of 2027 for governmental plans.</li> </ul>	Mandatory	Adopted no later than Dec. 31, 2027

MissionSquare is continuing to monitor this legislation as it unfolds and will make updates to our resources accordingly. If you have any questions, please reach out to your MissionSquare representative.