City of Charlottesville
The Retirement Plan for the City of Charlottesville
Optional Contingent Beneficiary Allowance Conversion Factors

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SAGE VIEW

Contingent Beneficiary Allowance Conversion Factors

- When a member retires, they have the option of receiving their benefit as a monthly single life annuity or as a joint & survivor annuity which provides a death benefit to their contingent beneficiary.

- The actuarial value of the benefit should not change based on the member's election, so an actuarial conversion factor is applied to the single life annuity to calculate the joint & survivor amount based on the definition of actuarial equivalent in the City Code.

- Currently the actuarial equivalent definition in the City Code is the UP-84 mortality table for the member and the UP-84 mortality table with 5-year setback for the contingent beneficiary, and 8.0% interest rate.

- The UP-84 table was published in 1976 and incorporated mortality from the 1960's and 1970's and since then mortality has improved.

- The most recent Experience Study updates the mortality table to the Pub-2010 table with Adjustment Scale MP-2021 (the most recent mortality table available for public plans) and 7.5% interest rate which reflects more current asset allocation and capital market assumptions.

- Proposal is to update the definition of actuarial equivalence in the City Code to allow the Commission to make changes if warranted to reflect the most recent Experience Study.

- Currently the actuary recommends:
  - Pub-2010 table, for General Employees, amount-weighted with Scale MP-2021
  - Unisex table with 65% Male and 35% Female
  - 7.5% interest rate

- An example follows:

Example – Regular Joint & Survivor Options

- Member retirement age = 65; Contingent Beneficiary age = 62
- Monthly accrued benefit = $1,000 payable as a Single Life Annuity (SLA)

Option	Current Factors	Monthly Benefit	Proposed Factors	Monthly Benefit	Increase in Benefit ($)	Increase in Benefit (%)
100% J&S	.77598	$775.98	.87129	$871.29	$95.31	12.3%
75% J&S	.82201	$822.01	.90026	$900.26	$78.25	9.5%
67% J&S	.83860	$838.60	.91035	$910.35	$71.75	8.6%
50% J&S	.87386	$873.86	.93122	$931.22	$57.36	6.6%
SLA	1.00000	$1,000	1.00000	$1,000	$0.00	0.0%

- *A regular Joint & Survivor Option pays a monthly benefit to the member for their lifetime and then a percentage of that benefit to their contingent beneficiary after their death. If the contingent beneficiary pre-deceases the member, the member's benefit amount does not change and will be paid as a life annuity to the member.*

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Example – Pop-Up Joint & Survivor Options

- Member retirement age = 65; Contingent Beneficiary age = 62
- Monthly accrued benefit = $1,000 payable as a Single Life Annuity (SLA)

Option	Current Factors	Monthly Benefit	Proposed Factors	Monthly Benefit	Increase in Benefit ($)	Increase in Benefit (%)
100% J&S	.75459	$754.59	.85956	$859.56	$104.97	13.9%
75% J&S	.80391	$803.91	.89084	$890.84	$86.93	10.8%
67% J&S	.82181	$821.81	.90177	$901.77	$79.96	9.7%
50% J&S	.86013	$860.13	.92448	$924.48	$64.35	7.5%
SLA	1.00000	$1,000	1.00000	$1,000	$0.00	0.0%

- *A Pop-Up Joint & Survivor Option pays a monthly benefit to the member for their lifetime and then a percentage of that benefit to their contingent beneficiary after their death. If the contingent beneficiary pre-deceases the member, the member's benefit amount reverts to the single life annuity amount and will be paid as a life annuity to the member.*

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Contingent Beneficiary Allowance Conversion Factors

- As of the July 1, 2023 valuation, there were 715 total retirees and 134 elected a joint and survivor optional form (18.7%).

- Changing the conversion factors will have no impact on the annual actuarial valuation because we calculate liabilities based on the single life annuity.

- Assuming the percentage of members electing a joint & survivor option does not change, future additional liabilities will be approximately 1% higher resulting from the change in conversion factors.

- Effective date would be July 1, 2024.

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