RETIREMENT COMMISSION MINUTES

The Retirement Commission met on Wednesday, March 27, 2024. The following members were present: Chris Cullinan, Jason Vandever, Scott Hendrix, Sam Sanders, Al Elias, Mary Ann Hardie, Tony Newberry, Lindsay Ideson. Absent: Brian Pinkston, David Hughes. Others present: Sara Butler, Lisa Burch, Brian Ng.

This meeting was held in the CitySpace Large Conference Room.

Call to Order
Jason Vandever called the meeting to order at 8:34 AM.

Approval of Minutes
The minutes from the February 2024 meeting were approved unanimously.

Electronic Meeting Policy
The electronic meeting policy was discussed after having been reviewed by the City Attorney's office. A motion was made by Ben Cullop to adopt the policy with the change that a definition of a "meeting" is a gathering of three or more members. The motion was seconded by Chris Cullinan. The motion was approved unanimously.

Retiree COLA
The Commission discussed making a retiree COLA recommendation to City Council. The members agreed to accept the 1% already budgeted. Al Elias recommended that, in light of collective bargaining, the practice of granting a retiree COLA in the amount of one-half of the employee COLA should be revisited.. He shared examples of pension systems that consider the CPI when calculating the retiree COLA and systems that base it on the funded status of the plan.

Administrative Updates
Lisa Burch updated the Commission on the progress of the City Attorney's work on the City Code language to allow Defined Contribution plan members to serve on the Commission. She also presented a breakdown of participation in the Defined Benefit Plans and Optional Defined Contribution Plan by age, and a discussion followed. Jason Vandever shared preliminary returns of the Retirement Fund as of February 2024.

New Business
The Investment Sub-Committee will meet immediately following the April 24 regular meeting.

Adjournment
The meeting adjourned at 9:15 AM.

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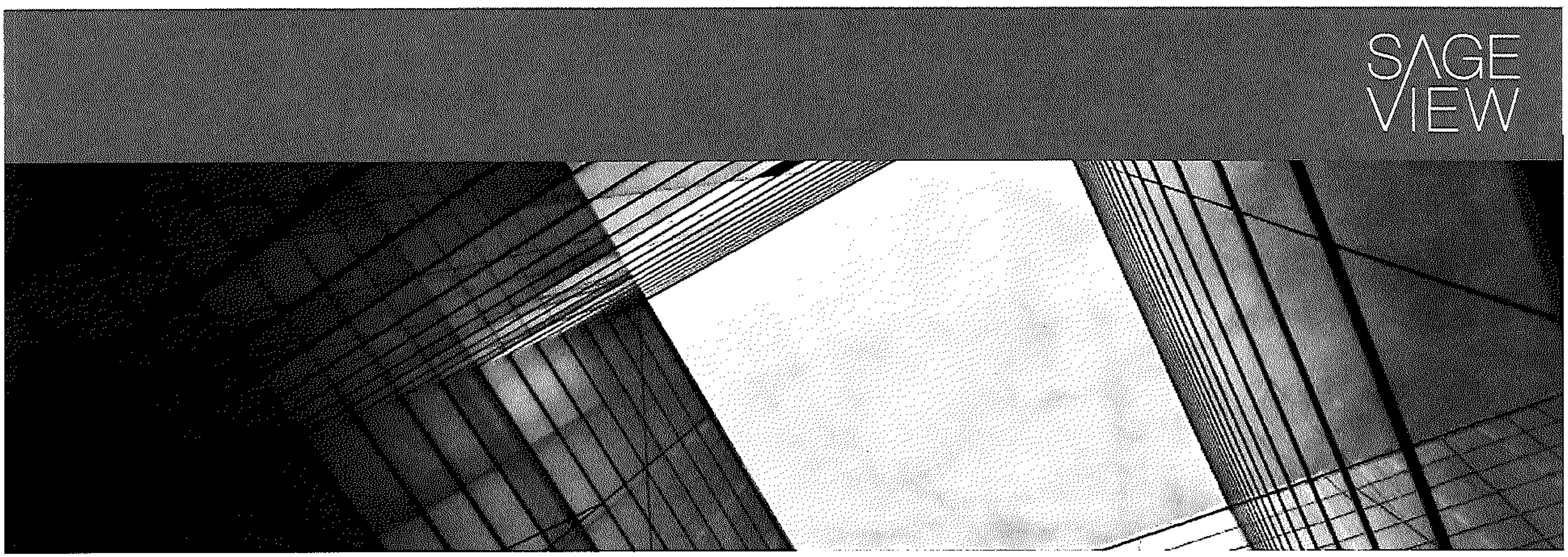
City of Charlottesville
The Retirement Plan for the City of Charlottesville
Optional Contingent Beneficiary Allowance Conversion Factors

April 24, 2024



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.*

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.*

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.

Sec. 19-92. Contributions and members' contribution account.

(g) All members' contributions and interest allowances shall be credited to the member's contribution account. Accumulated contributions required to be returned to the member or required to be paid on account of the member's death shall be paid from the member's contribution account. As of each June 30, the member contribution account of each active member shall be credited with interest at a rate to be determined annually by the retirement commission. Initially, the rate shall be three (3) percent annually. Interest shall accrue on any contribution beginning on the first day of the fiscal year following the year in which the contribution was made. No interest shall be credited to the member contribution account after the effective date of the member's retirement.

(Code 1976, § 20-20; 3-1-93; 1-3-12; 6-5-17(1); 9-7-21(1) , § 2)

Retirement Commission 2024

JANUARY

Dahab presentation

FEBRUARY

MissionSquare report

MARCH

Electronic Meeting Policy
Retiree COLA

APRIL

Sageview mortality table review

MAY

Vote on interest rate for next FY

JUNE

Review of bylaws
Update on Commission appointment

JULY

May combine July and Aug

AUGUST

Report from Captrust and Fiduciary training

SEPTEMBER

Consultant report from Dahab

OCTOBER

Annual report from Actuary

NOVEMBER

Report to Council

DECEMBER

To be determined