

RETIREMENT COMMISSION MINUTES

The Retirement Commission met on Wednesday, September 23, 2020. The following members were present: Chris Cullinan, Jason Vandever, Scott Hendrix, Tarron Richardson, Heather Hill, Joe Hatter, Al Elias, Markell Henderson, Michele Vineyard. Absent: David Hughes. Others present: John Blair, Letitia Shelton, Brian Wheeler, Sara Butler, Lisa Burch, Greg McNeillie.

Call to Order

Jason Vandever called the meeting to order at 8:33 AM.

Closed Session

Pursuant to section 2.2-3712 of the Virginia Code, Heather Hill made a motion that the Charlottesville Retirement Commission should close the meeting and convene in a closed session, as authorized by authorized by Virginia Code Section 2.2-3711(A)(8) for consultation with legal counsel about specific legal matters related to the Virginia Conflict of Interests Act and Fiduciary Duty. The motion was seconded by Al Elias.

The Retirement Commission certified by a unanimous recorded vote that to the best of each Commissioner's knowledge only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the Motion convening the closed session were heard, discussed or considered in the closed session.

Approval of Minutes

The minutes from the August 2020 meeting were approved unanimously.

Annual Financial Review

Greg McNeillie from Dahab reviewed the previous fiscal year investment returns for the Charlottesville Retirement System portfolio.

Sustainable Investing Discussion

Greg McNeillie reviewed the Retirement Fund's current Investment Policy and Guidelines. He then shared information regarding sustainable investing in general and the Fund's current investments in energy companies, gun manufacturers and defense contractors. It was noted that several of the Fund's Investment Managers already incorporate ESG into their investment approach. The Fund's equity investments in energy companies, gun manufacturers and defense contractors are less than 3% of the total investments at this time.

Upcoming meetings

Jason Vandever requested feedback regarding the November and December meetings. It was agreed that they should be rescheduled due to their closeness to the holidays.

Adjournment

The meeting adjourned at 9:56 AM.



City of Charlotteville

Retirement and Postretirement Benefits Plans

July 1, 2020 Valuation Results

October 28, 2020

SAGE
VIEW





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Retirement
Plan



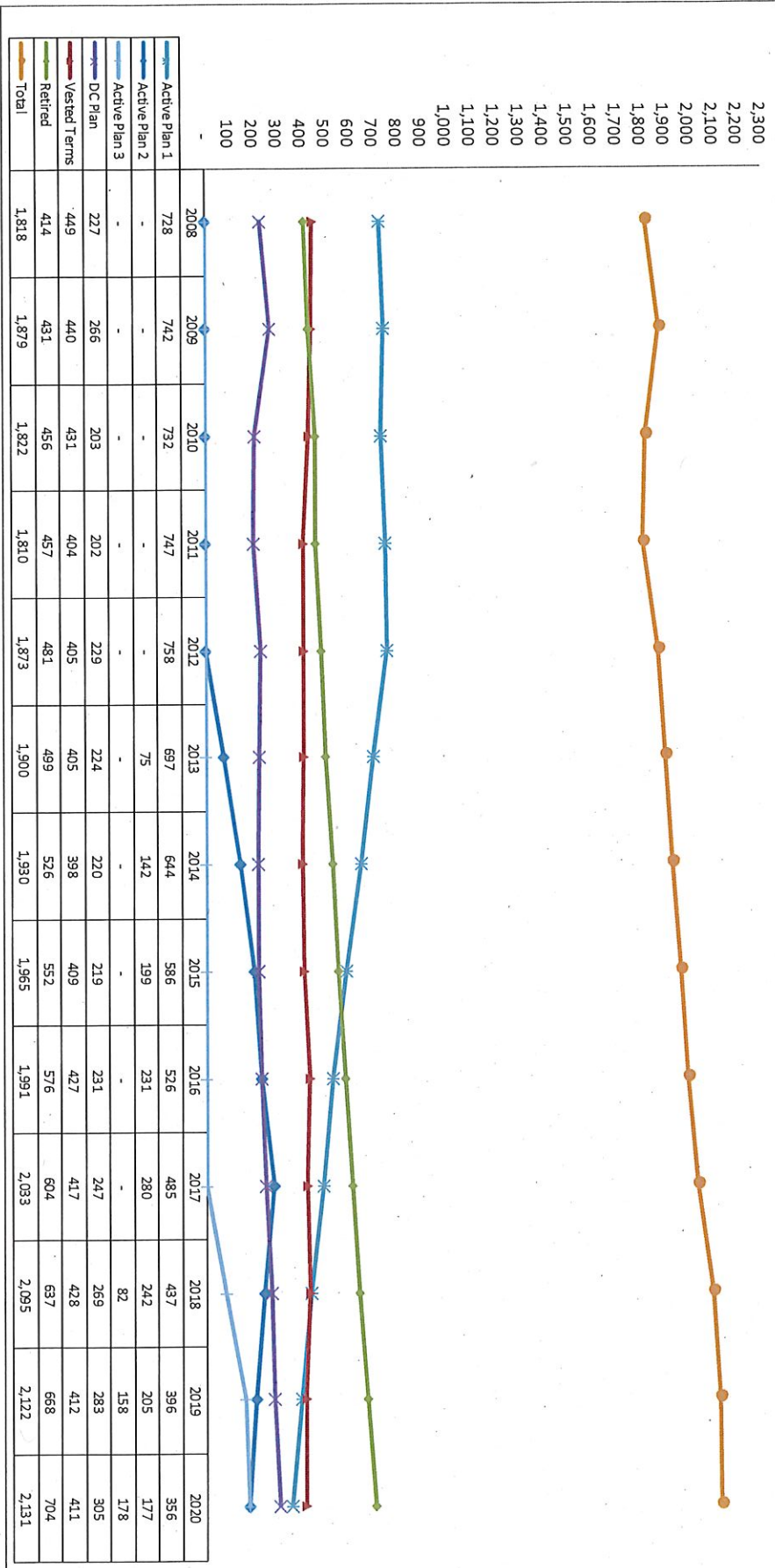
Commentary

- Actuarial assumptions and methods
 - An experience study was completed for the 5-year period ended June 30, 2019 resulting in changes to several assumptions used to complete the valuation
 - In order to determine contribution rates, the unfunded liability as of June 30, 2020 is being re-amortized over a period of 15 years; this is consistent with the remaining amortization period prior to the completion of the experience study
- Plan provisions
 - There have been no changes since the last valuation
 - Increased employee contributions are not being used to offset future employer contributions
 - July 1, 2020 COLA was not granted; COLA assumption is 1% which results in a gain for the current valuation
- Investment performance
 - Assumed return 7.50%
 - Return on Fiduciary Net Position (Market Value) was 3.08% (for financial reporting)
 - Return on Actuarial Asset Value was 8.64% (4-year smoothing for contribution rates)
- Net Pension Liability (for GASB reporting)
 - Increased from \$84.0M to \$91.2M primarily due to investment performance and assumption changes offset by an additional employer contribution of \$1.8M
 - The funded status decreased from 58.3% to 56.8%
- Actuarially Determined Contribution (ADC)
 - Increases from 24.83% (fiscal 2021) to 26.36% (fiscal 2022)



Current Results and Historical Information

Membership

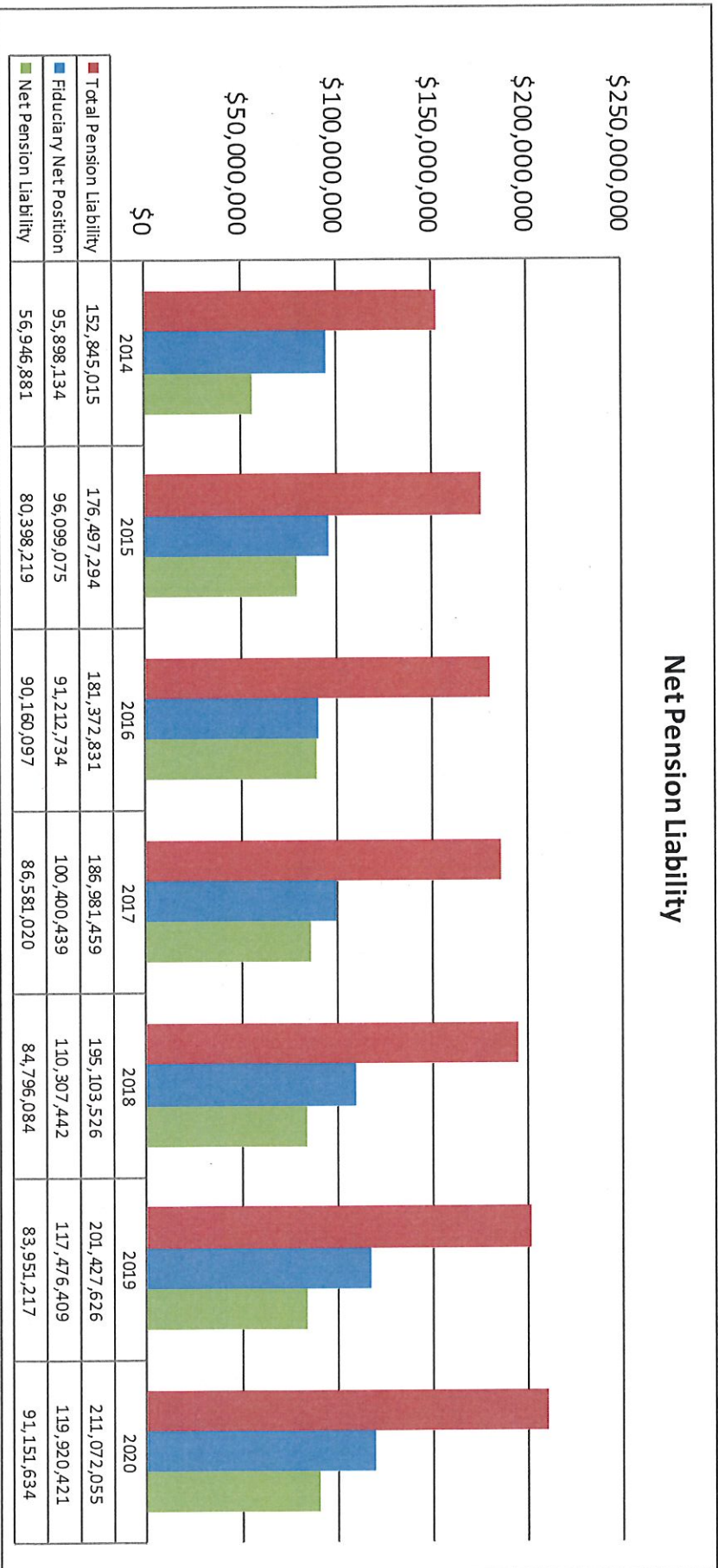


- Total membership increased slightly in 2020
- Of the Active Members, 25% are now covered by Plan 2 benefits and 25% by Plan 3
- The number of retirees has increased 70% since 2008; there are currently 1.01 active members for each retiree (down from 1.76 in 2008)
- DC plan membership has trended slightly upward the last few years; 36 of the DC plan members also have a vested benefit in the DB plan



Current Results and Historical Information

Net Pension Liability

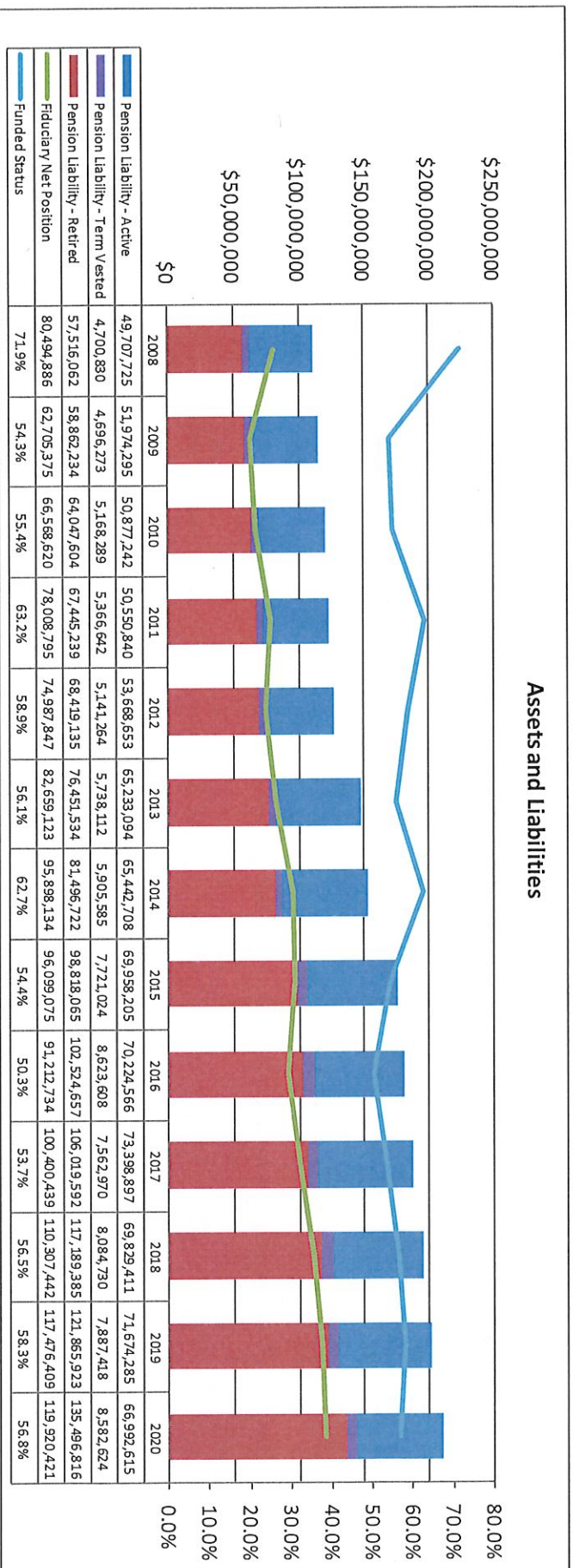


- The Net Pension Liability (NPL) increased in 2020 due to investment performance less than expected plus changes in actuarial assumptions
- A +/- 1% change in the discount rate would result in a significant change in the NPL (-/+ approximately \$22M)
- The NPL is reported on the City's balance sheet in accordance with GASB 68



Current Results and Historical Information

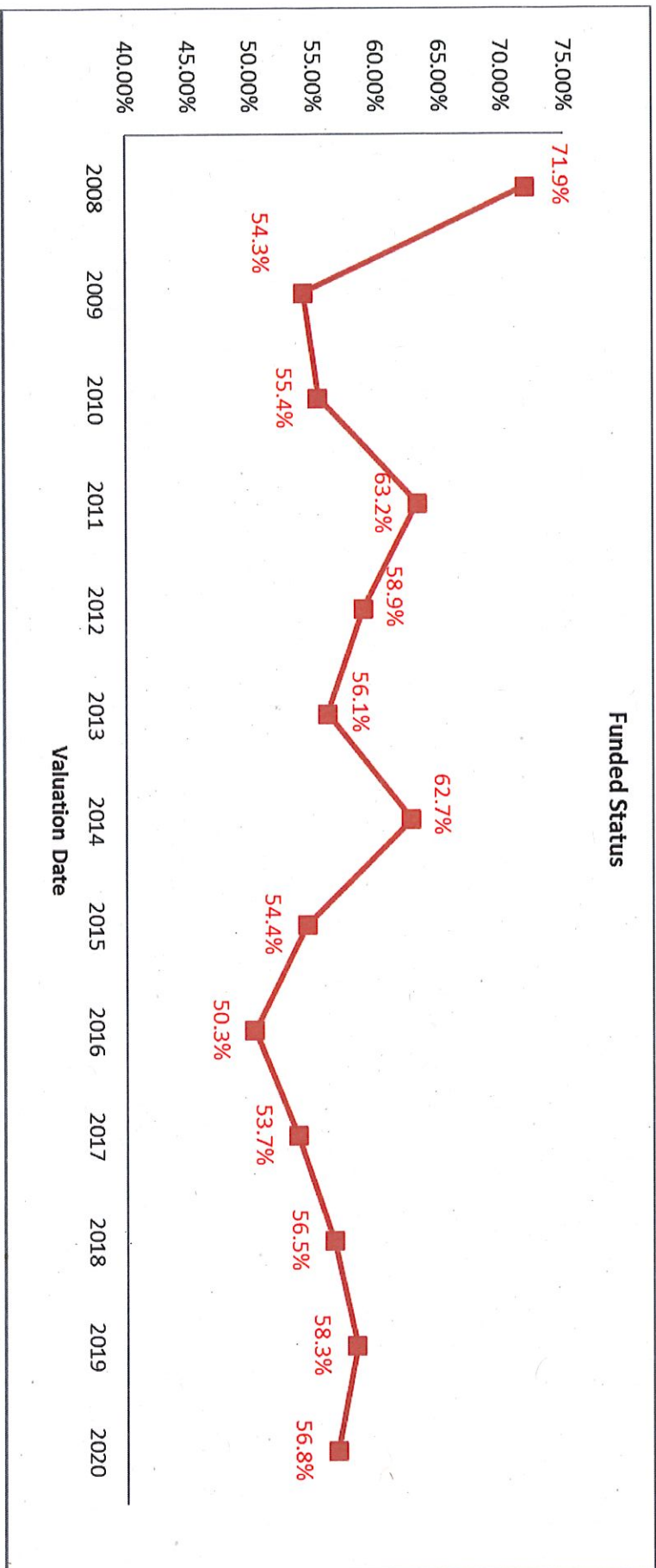
Assets and Liabilities



- The Total Pension Liability has steadily increased as benefits accrue
- Assets have increased significantly since 2016 (31%)
- In 2020, Retired and Terminated Participants account for 68% of the Total Pension Liability (64% in 2019)



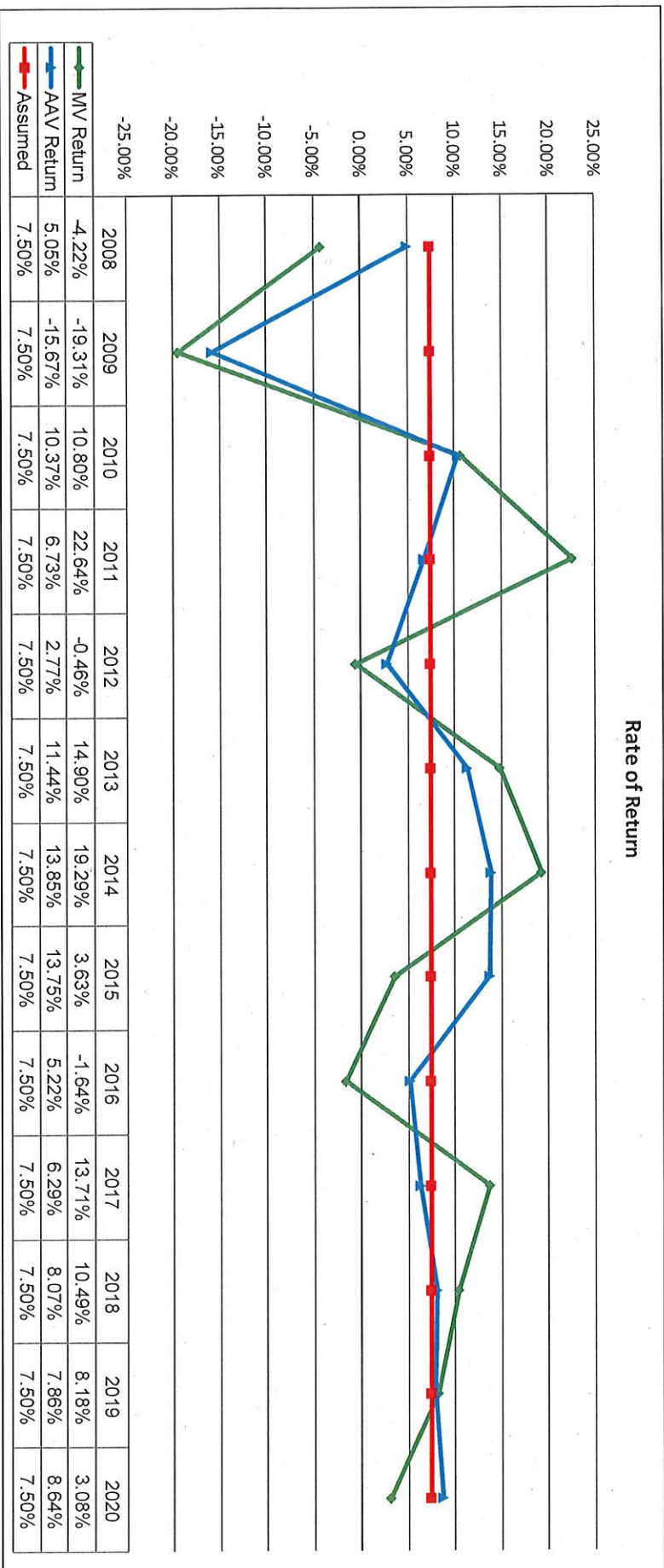
Current Results and Historical Information



- The funded status dropped significantly in 2009 due to investment performance which was the primary reason it increased in 2011 and 2014.
- The funded status declined in 2015 due to less than favorable investment performance and changes in actuarial assumptions
- The funded status declined in 2016 primarily due to investment performance
- The funded status improved in 2017, 2018 and 2019 primarily due to investment performance but also due to additional employer contributions made in 2018 and 2019
- The funded status declined in 2020 primarily due to investment performance and changes in actuarial assumptions



Current Results and Historical Information

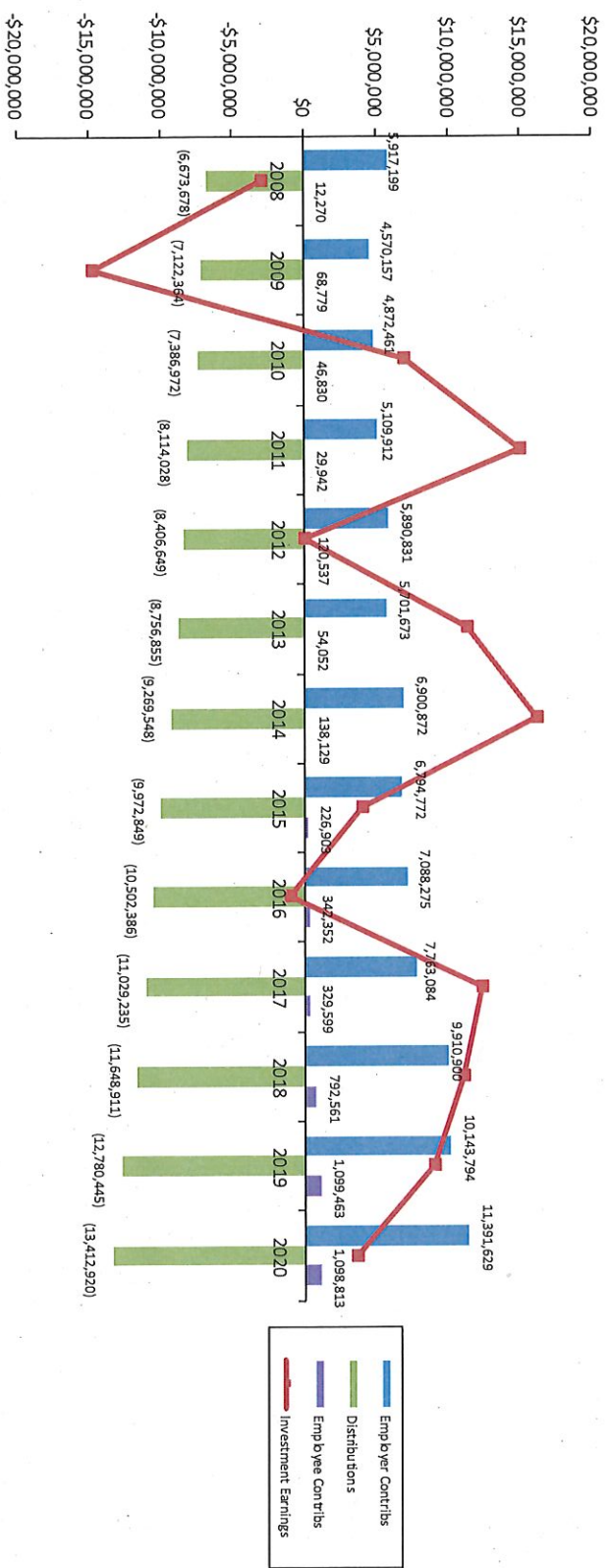


- The volatility of actual returns versus the assumed 7.5% provides justification for maintaining an actuarial asset smoothing method to determine contribution rates although market value must be used for financial reporting.
- The 5-year average returns as of June 30, 2020 were as follows:
 - Market Value: 6.76%
 - Actuarial Asset Value: 7.22%



Current Results and Historical Information

Contributions, Distributions, and Investment Earnings

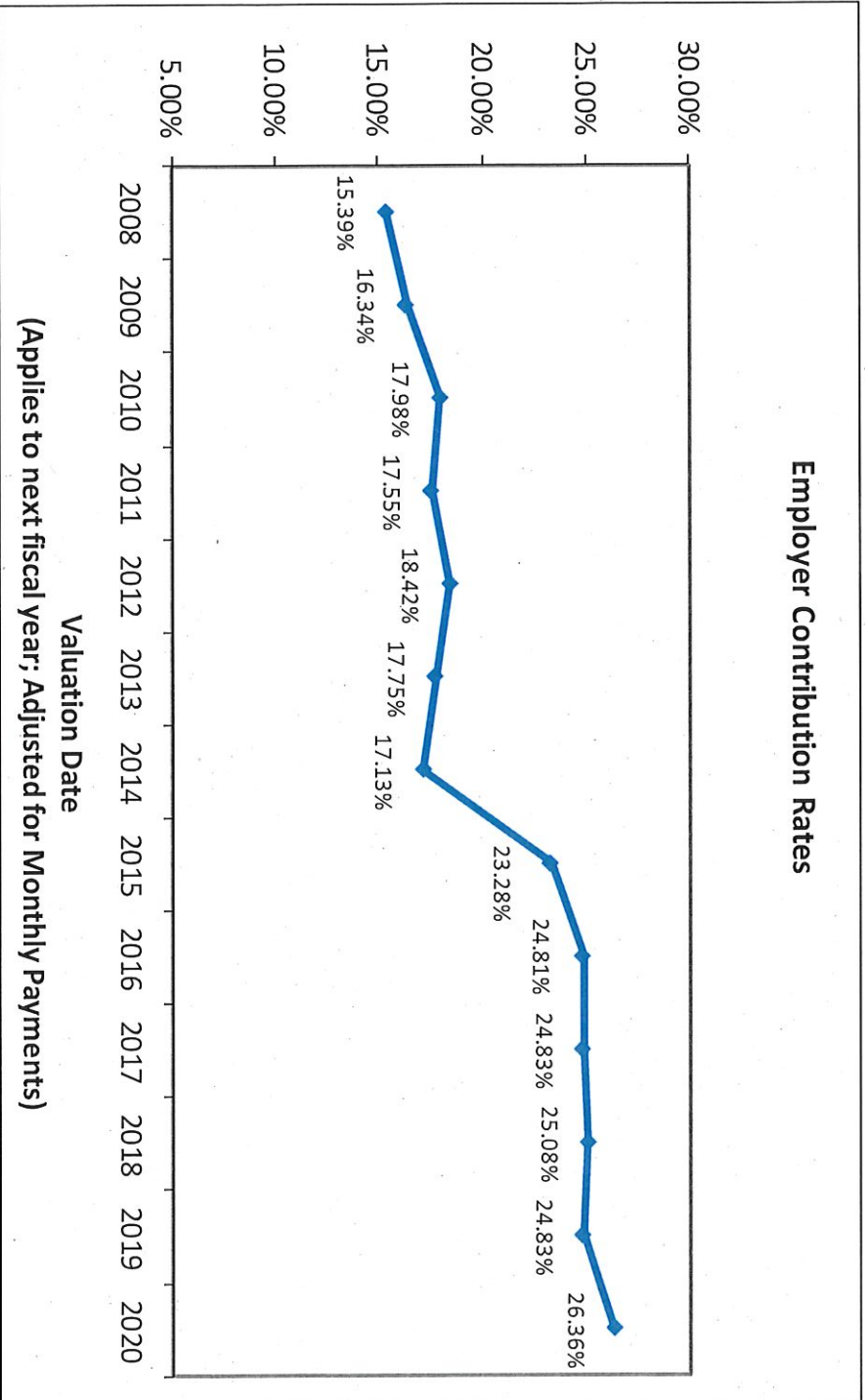


- Employee contributions have leveled off after increasing significantly the past several years
- Employer contributions have exceeded the ADC in 6 of the last 7 years



Current Results and Historical Information

Employer Contribution Rates



In line with last year's experience study projection

- Contribution rates have increased this year primarily due to the assumption changes resulting from the Experience Study.
- The unfunded liability is amortized as a level percent of pay with the assumption that covered payroll will increase 3% per year. If covered payroll remains level or declines, the rate will increase even though the dollar amount may not. Covered payroll decreased 6.4% from 2019 to 2020
- Much of the increase in 2015 was due to the addition of the 1% future COLA assumption

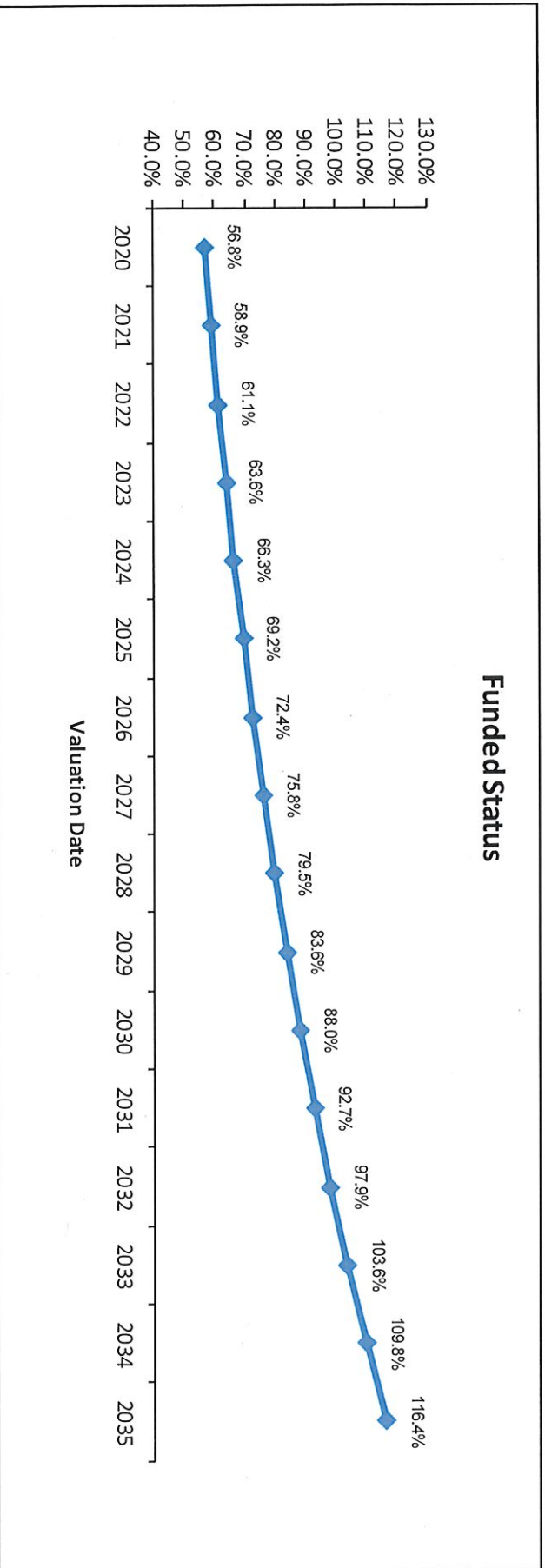


15 Year Projections

- Assume no changes in plan provisions or contribution strategies
- Active population assumed to remain at current levels
- Assets assumed to return 7.5% each year in the future
- Covered Payroll increases 3% per year
- All other actuarial assumptions assumed to be realized
- It is assumed that the City will continue to fully fund the Actuarially Determined Contribution (ADC) each year



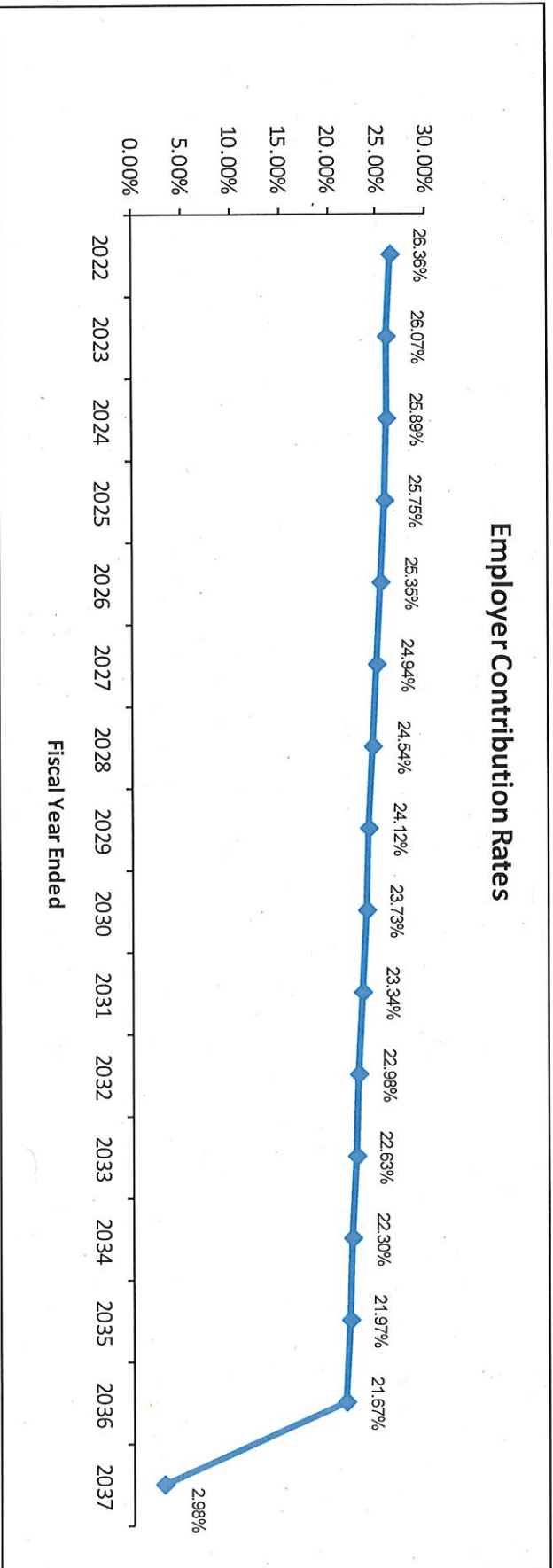
15 Year Projections



The funded status is projected to increase to 80% by 2029, assuming an annual return on assets of 7.5% and full funding of the ADC.



15 Year Projections



Contribution rates are expected to decline if all assumptions are realized. The sharp decrease in 2037 is due to the completed amortization of the 2020 unfunded liability.



2

Postretirement Benefits Plan



Commentary

- Actuarial assumptions and methods
 - The new assumptions from the prior year experience study have resulted in an overall gain for the year of approximately \$2.2 million
- Claims Experience
 - The actual claims experience for the prior year was very good which resulted in no substantial increase in premiums from the prior year
 - This good claims experience help to produce an actuarial gain between the expected and actual experience for the year of approximately \$4.3 million
- Plan provisions
 - No changes since the last valuation



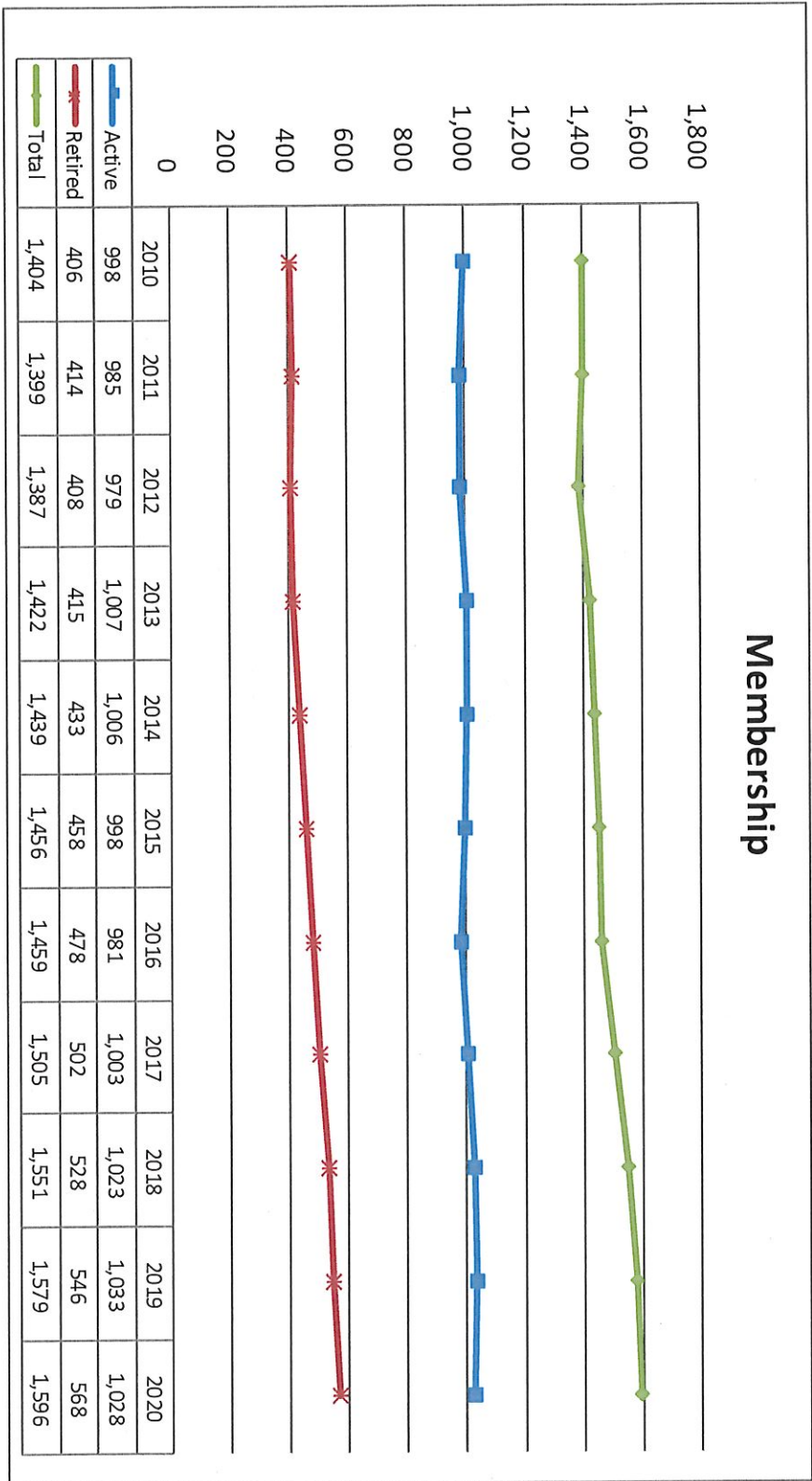
Commentary

- Investment performance
 - Assumed return of 7.50%
 - Estimated return was 3.13%
 - This less than expected return resulted in a \$2.0 million loss for the year
- Funded status
 - Increased from 56.5% to 62.8% primarily due to the good claims experience and the new assumptions
- Annual Required Contribution
 - Decreased from 12.10% (fiscal 2020) to 9.40% (fiscal 2021) to 7.68% (fiscal 2022)
 - There was no supplemental contribution from the City during the fiscal year ending June 30, 2020



Current Results and Historical Information

Membership

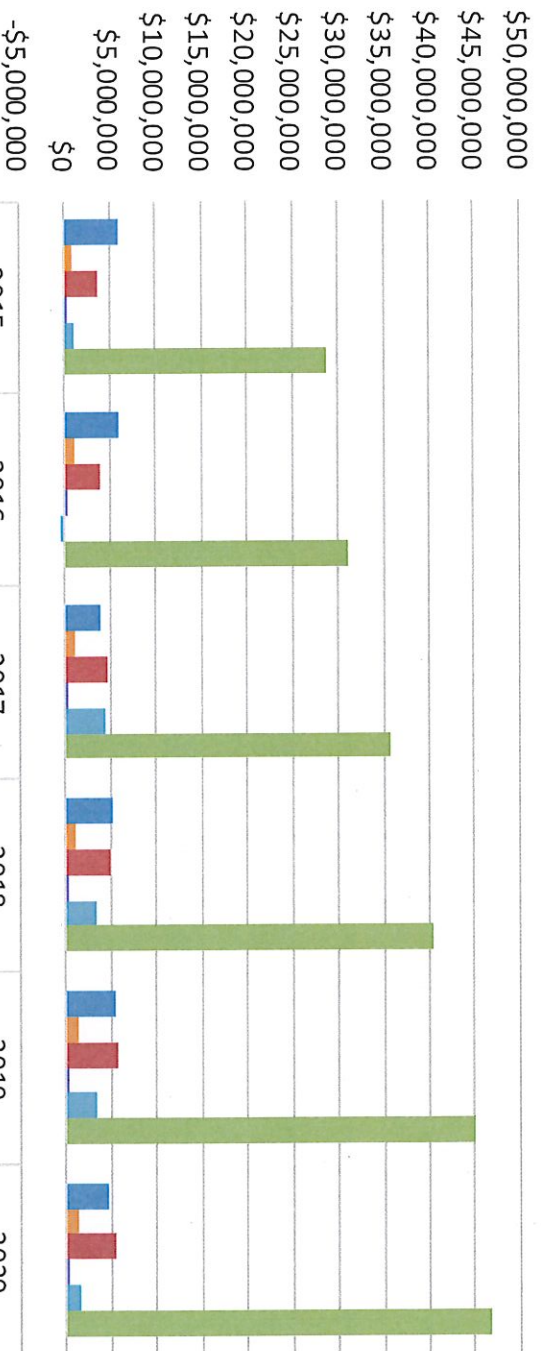


Of the 1,028 actives at 7/1/2020, there are 211 grandfathered and 244 non-grandfathered Plan 1 participants and 573 are in Plan 2.



Current Results and Historical Information

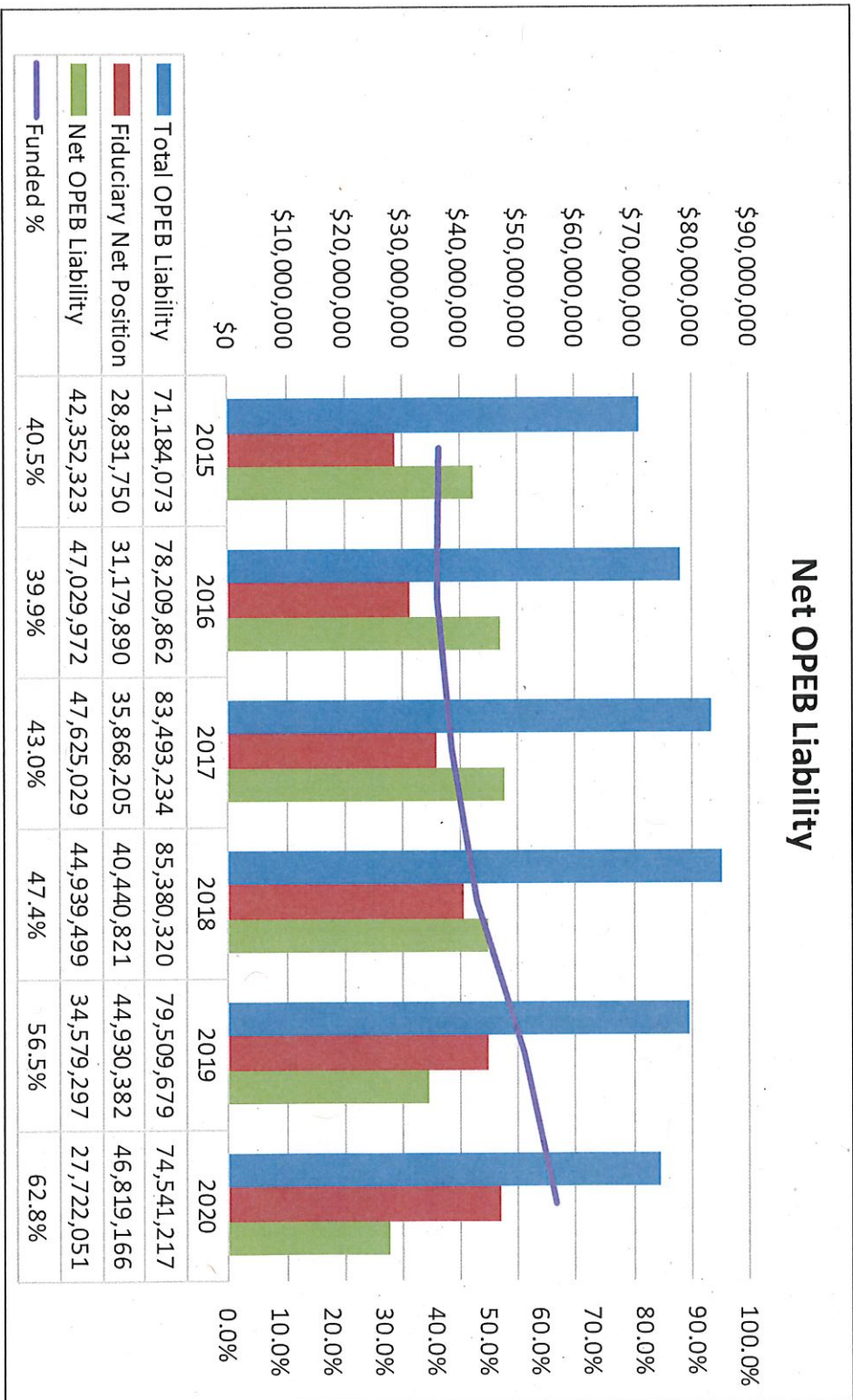
Fiduciary Net Position



	2015	2016	2017	2018	2019	2020
Employer Contributions	6,065,000	5,879,447	3,928,227	5,217,817	5,488,448	4,627,541
Employee Contributions	926,797	978,365	1,068,293	1,192,134	1,337,648	1,329,336
Premium Payments	3,643,818	3,928,310	4,549,930	5,029,754	5,599,475	5,423,938
Expenses	75,709	86,008	266,340	81,901	90,151	100,184
Net Investment Income	953,030	(495,354)	4,508,065	3,274,320	3,353,091	1,456,029
Fiduciary Net Position	28,831,750	31,179,890	35,868,205	40,440,821	44,930,382	46,819,166



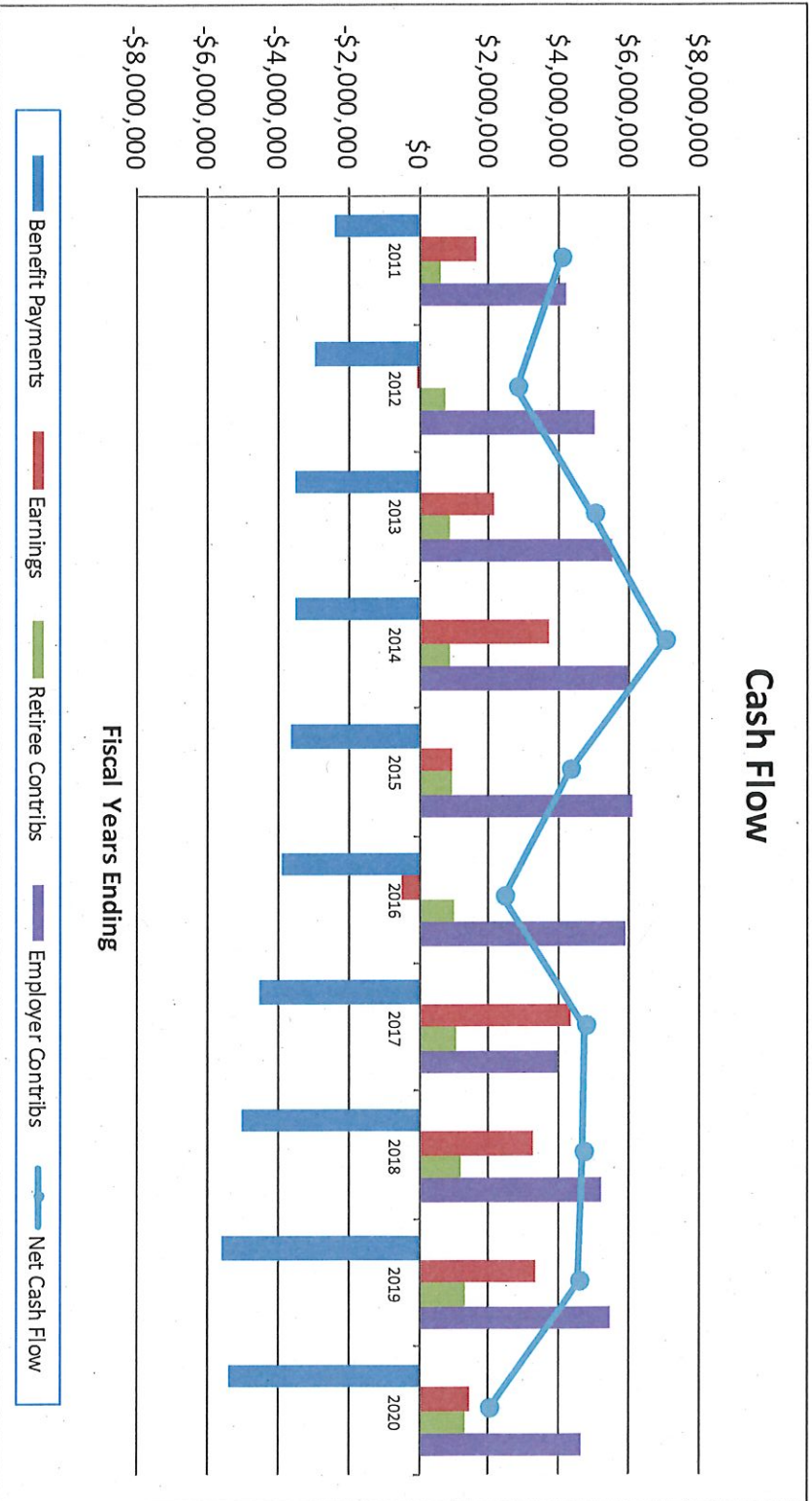
Current Results and Historical Information



GASB 75 was effective beginning in 2017; GASB 45 reporting in prior years



Current Results and Historical Information

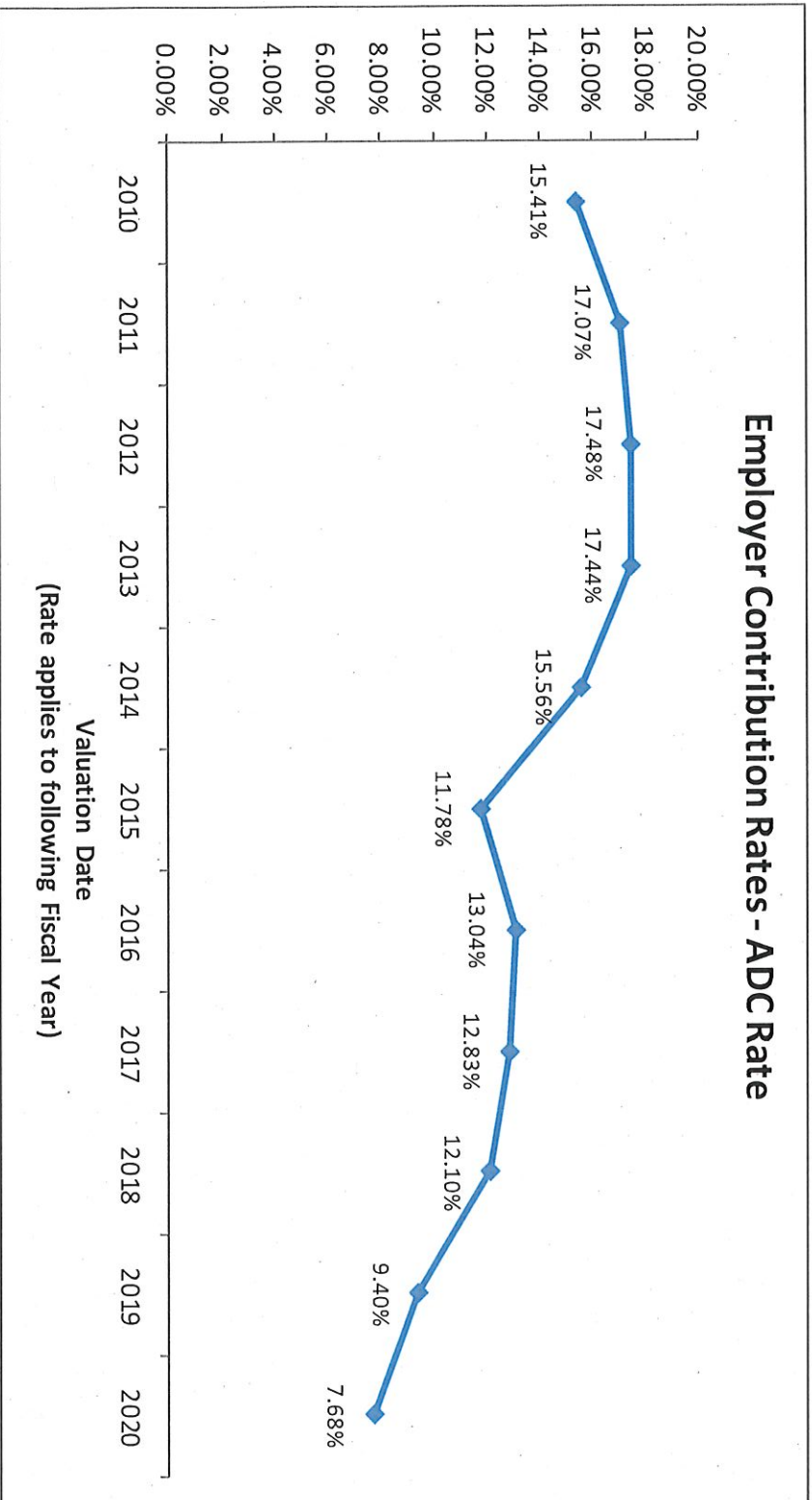


Net cash flow has been positive each year.



Current Results and Historical Information

Employer Contribution Rates - ADC Rate



- The decrease in 2015 was caused primarily by the change in assumptions and the unfunded liability amortization period.
- The increase in 2016 was due to an increase in monthly premiums and investment performance.
- The decrease in 2017 was due to strong investment performance.
- The decrease in 2018 was due to strong investment performance and better than expected claims experience
- The decrease in 2019 was due to the updated claims curve
- The decrease in the 2020 was due to the better than expected claims experience and the change in assumptions from the experience study

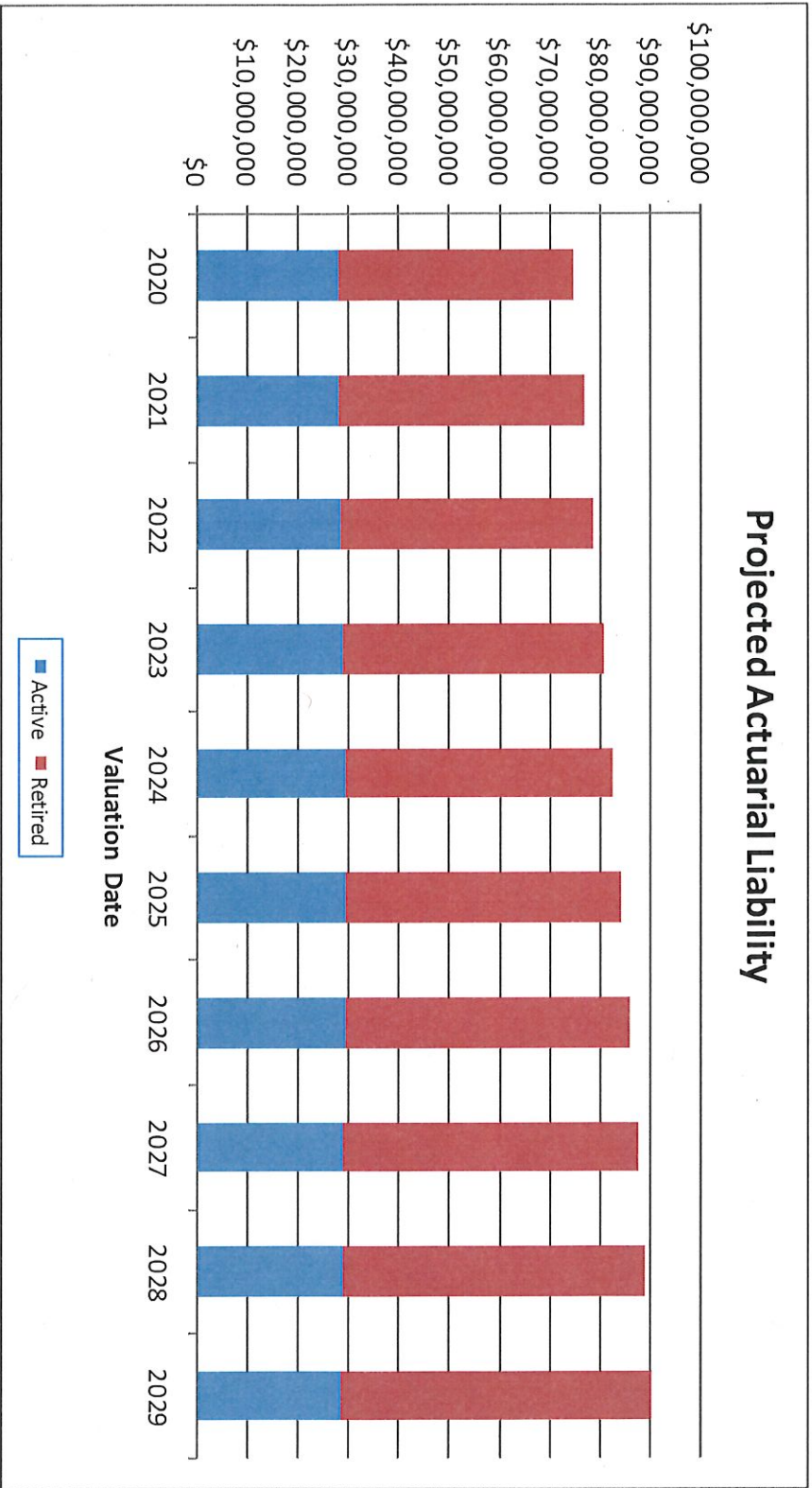


10 Year Projections

- Assume no changes in contribution strategies
 - City assumed to contribute the ADC each year
- Active population assumed to remain at current levels
- Assets assumed to return 7.5% each year in the future
- Medical trend assumed to be 7.5% year 1, decreasing to 4.5% after 6 years
- Dental trend assumed to be 4% per year
- Covered payroll increases 3% per year
- All other actuarial assumptions assumed to be realized



10 Year Projections

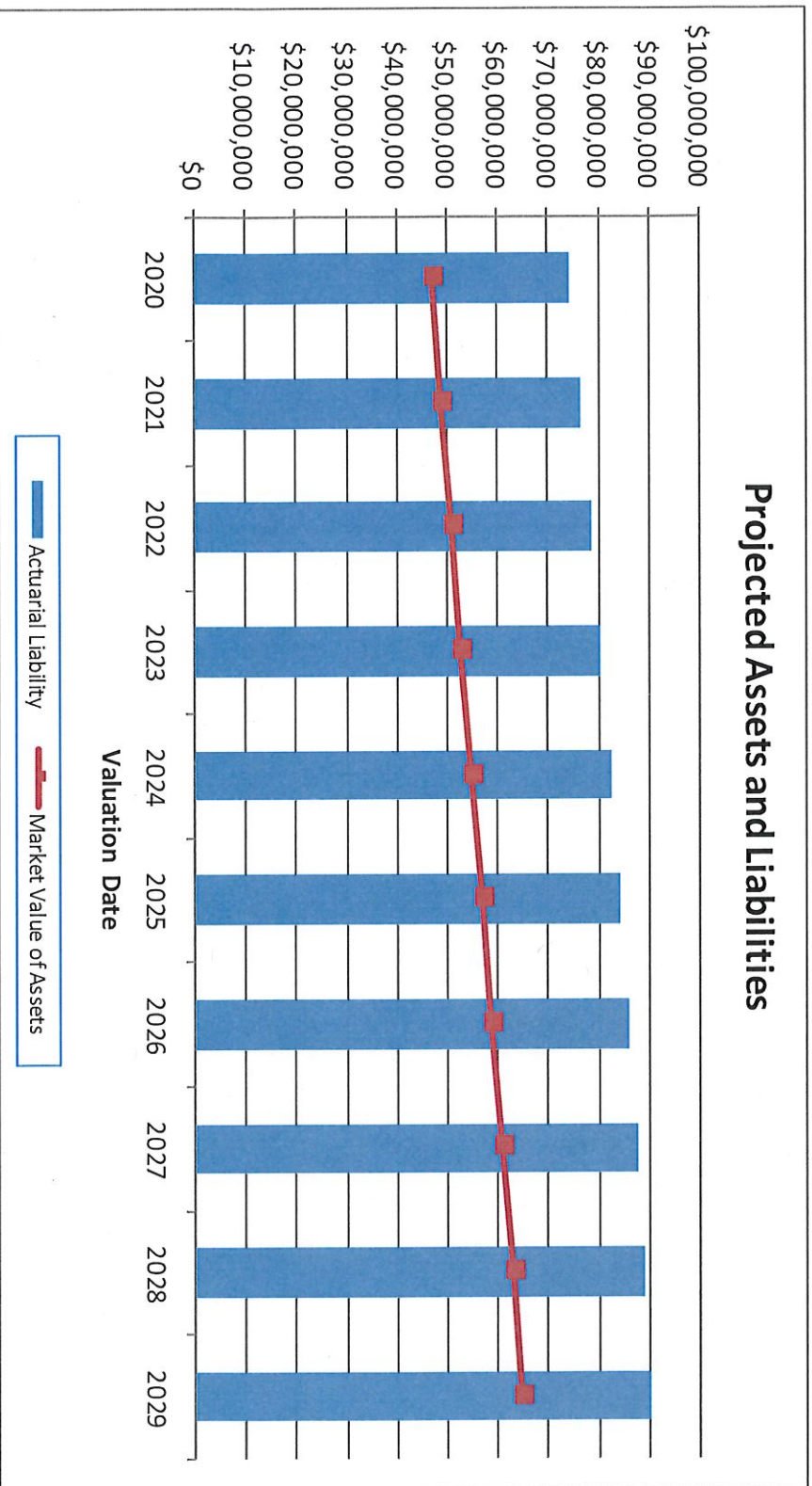


The liability split between active employees and retirees is expected to change from 37%/63% to approximately 32%/68% over the 10-year period.



10 Year Projections

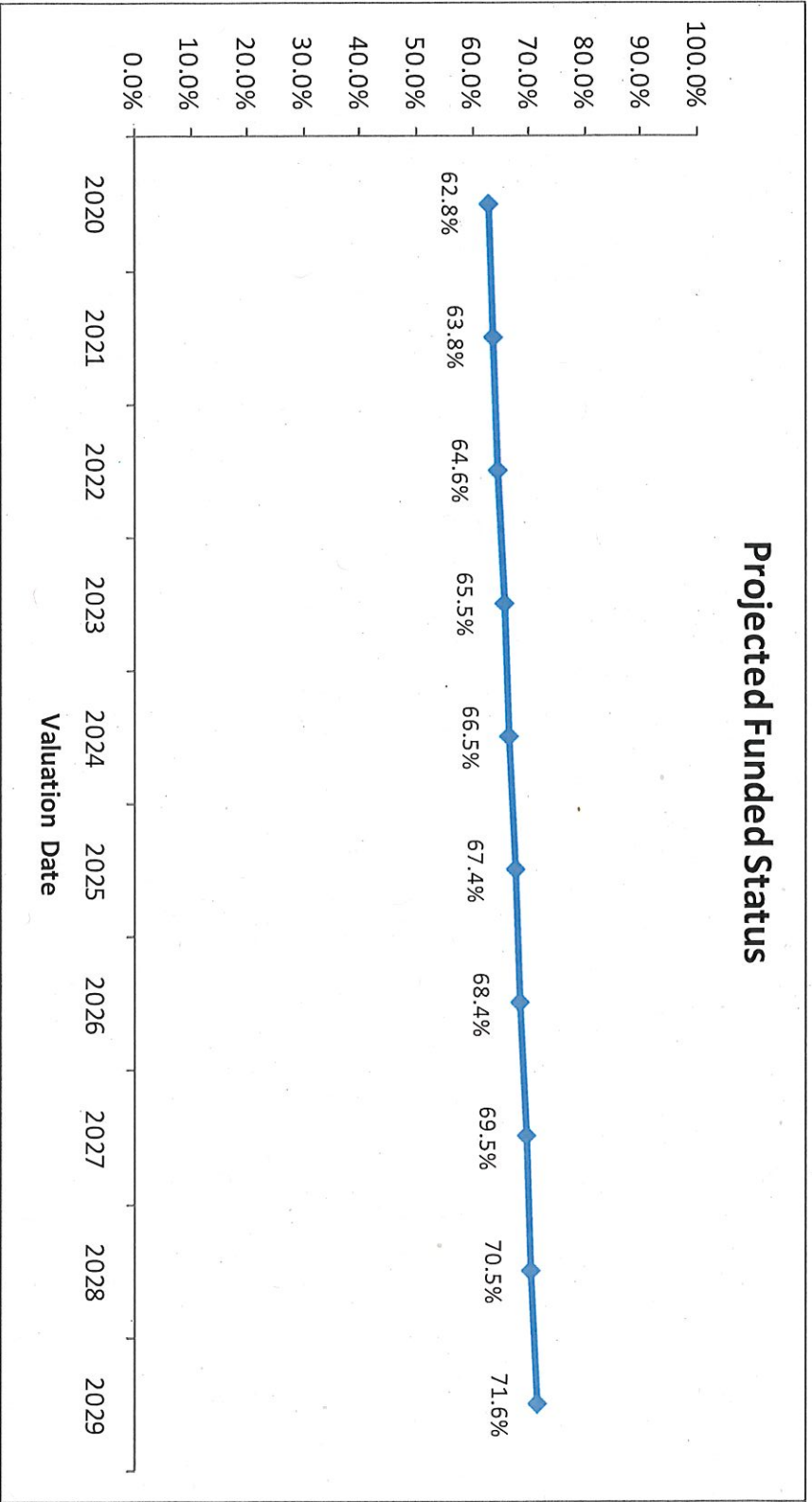
Projected Assets and Liabilities



The market value of assets is expected to increase at a faster rate than the actuarial liability, assuming the ADC is contributed each year and the 7.5% expected return is achieved.



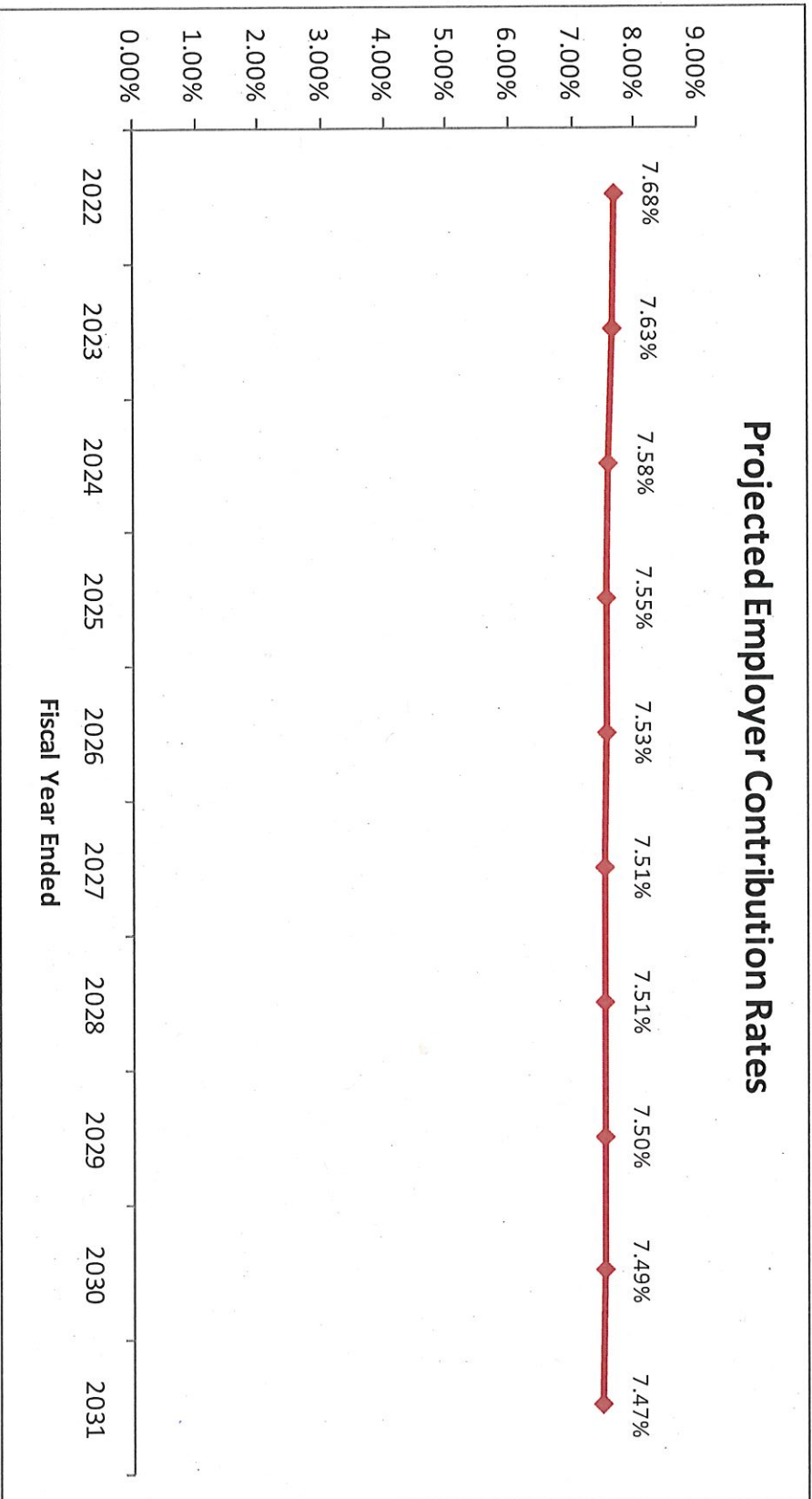
10 Year Projections



Funded status is projected to increase, assuming the ADC is fully funded each year.



10 Year Projections

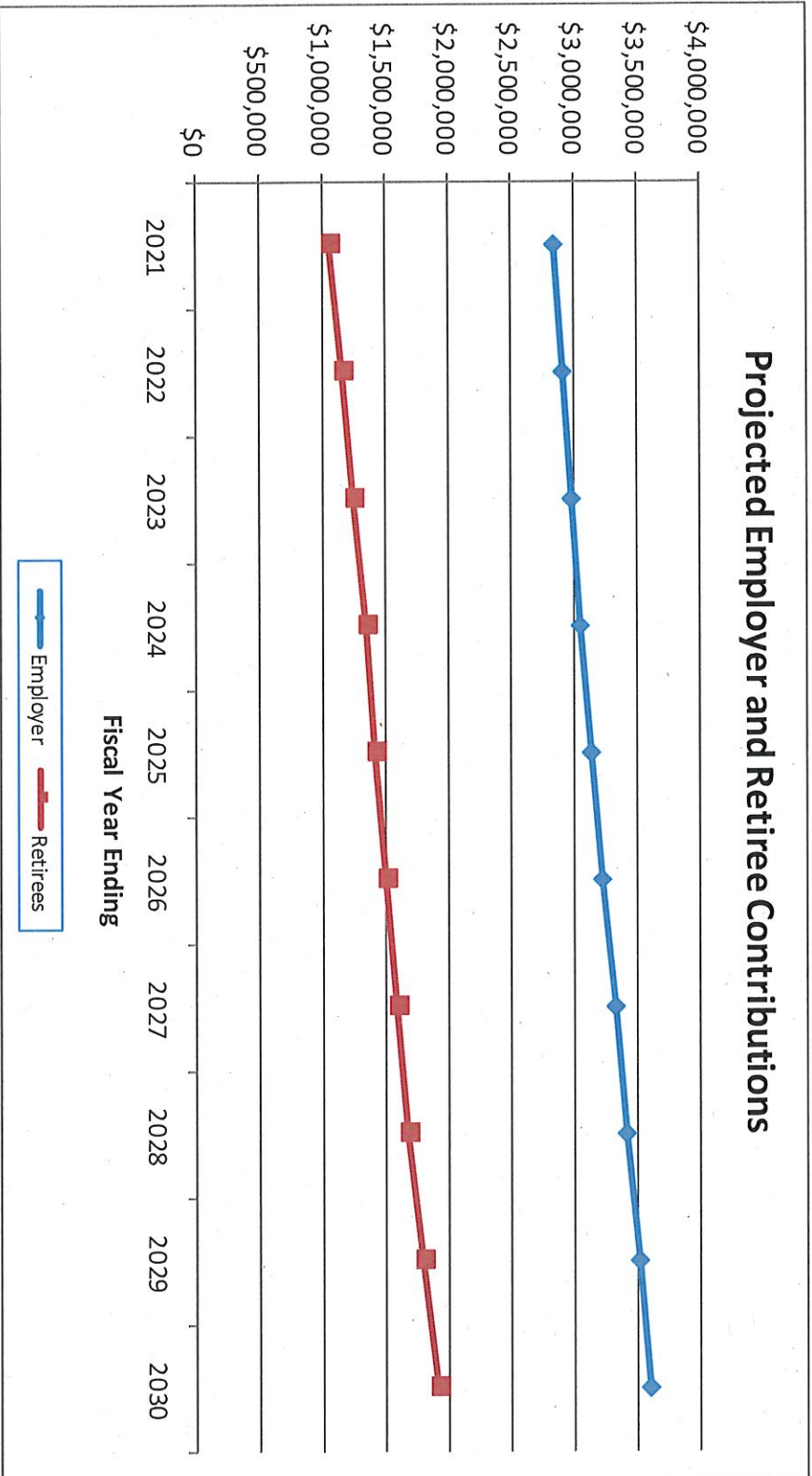


The ADC is projected to decline slightly over the period as the assets accumulate



10 Year Projections

Projected Employer and Retiree Contributions



City contributions (ADC) are projected to increase as projected covered payroll increases; retiree contributions will increase as the number of retirees increase.

Charlottesville Retirement System Alternative Managers' ESG Practices

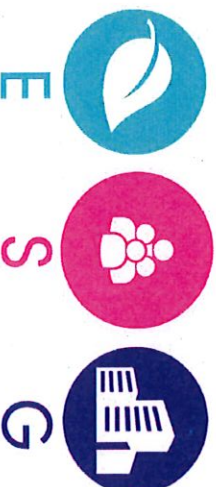
Greg McNeillie



DMB ASSOCIATES
New York Massachusetts Pennsylvania Florida

ESG & Energy Conservation

- As investment advisers, the primary duty of these managers is to act as a fiduciary, and their primary responsibility is to add economic value to their clients' portfolios over the long-term, within the constraints of applicable investment management agreements and ongoing market conditions.
- However, this does not mean that environmental, social and governance (ESG) factors cannot be considered as part of the investment process as well, as they do not inherently harm return, and in many cases, these considerations may help returns.



PGIM Real Estate & ESG

- At PGIM Real Estate, their environmental commitment is a global one, shared by all associates in all regions. They are committed to reducing energy and water use, waste production and greenhouse gas emissions.
- By applying responsible resource reduction strategies, they believe they enhance their environmental performance as well as their investment performance.
- They have developed Sustainable Standard Operating Guidelines (SSOG®), which help their property managers identify opportunities to cut costs, address human health and improve efficiencies by “greening” their operations.

PGIM Real Estate & ESG

- They submit a large number of their buildings and developments to voluntary green certification such as Energy Star, LEED, NGBS, DGNB, BREEAM, HQE, CASBEE, GRESB, Greenmark and other platforms.
- They advocate the use of materials, products, construction methods and operating practices that:
 - Consider impacts on human health
 - Diminish the quantity of resources used and waste generated over the property life cycle including through the use of sustainable and recycled materials, and renewable energy
 - Protect the habitat and the environment, and preserve biodiversity
 - Avoid toxic substances and reduce CO2 emissions

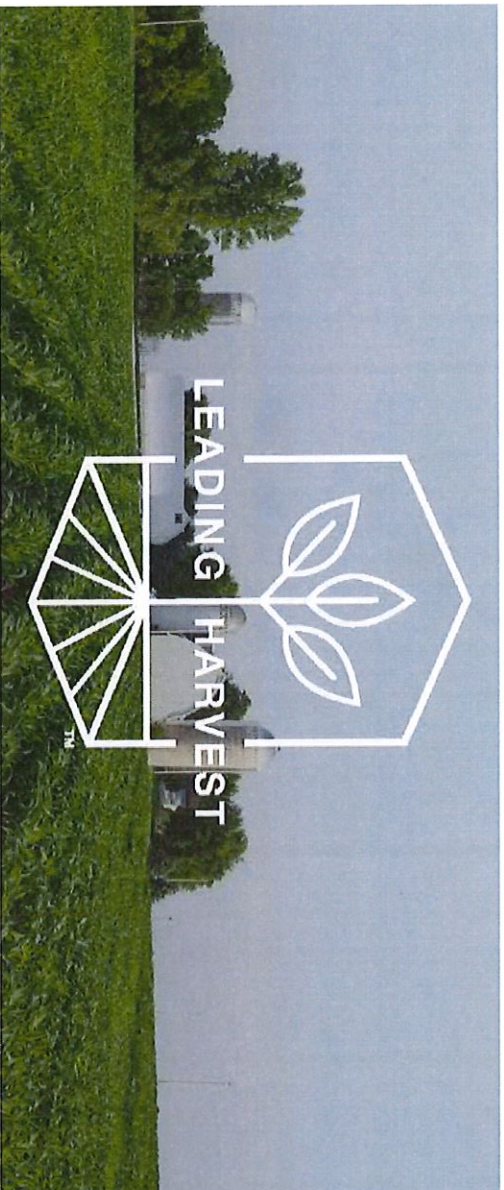
PGIM Real Estate & Energy Conservation

- PRISA contains 50 LEED Certified Buildings, which represent 41% of the Fund's GMV as of June 30th
- PRISA II contains 25 LEED Certified Buildings, which represent 29% of the Fund's GMV as of June 30th



UBS Farmland & Leading Harvest

- UBS have enrolled all of their properties in the “Leading Harvest” ESG Standards program, a comprehensive set of ESG standards.
- The Leading Harvest Farmland Management Standard (Leading Harvest Standard) identifies sustainable farming practices based on 13 Principles, 13 Objectives, 33 Performance Measures and 71 Indicators¹



¹Detailed principles & Objectives available upon request

Leading Harvest Objectives

- Leading Harvest addresses economic, environmental, social and governance issues, and includes measures to efficiently use water, agricultural chemicals and energy to grow crops for useful agricultural products; minimize waste; and conserve soils, water resources and biodiversity.
- Conformance to the Leading Harvest Standard requires awareness and appropriate use of regional agricultural best management practices to advance sustainable agriculture.
- Standard users shall monitor agricultural practices used by farmland tenants to ensure their consistency with regional agricultural best management practices.

Leading Harvest & Energy Conservation

- Objective 5 of the Leading Harvest standard considers energy use, air quality, and climate change.
- Standard users shall conserve energy resources, especially fossil fuels, used by agricultural operations.
 - Indicator 5.1.1 Energy Conservation: Use of technologies and application of regional agricultural best management practices to conserve energy where appropriate
 - Indicator 5.1.2 Renewable Energy: Use of renewable energy technologies and application of regional agricultural best management practices where appropriate
 - Examples could include, but are not limited to, application of low-emission technologies and practices that reduce use of agricultural inputs or their volatilization, increase carbon sequestration using farmland, and reduce volatilization of greenhouse gases

Ceres Partners & Leading Harvest



- Similar to UBS, Ceres Partners is a member of the Sustainable Agriculture Working Group (SAWG), which has brought together diverse stakeholders including farmers, conservationists, land-owners, and investors to develop a single standard for sustainable farmland management.
- Leading Harvest is governed by a Board of Directors with equal representation from the Social, Environmental, and Economic spheres, and will be supported by participating farmland managers and owners.
 - Leading Harvest provides audit procedures, training, education, and reporting around the standard

Leading Harvest Compliance

- Compliance with the standard will be certified by independent third-party auditors following audit procedures provided by Leading Harvest
- Ceres Partners intends to use the Leading Harvest Standard, and to enroll and certify substantially all the acreage in Ceres Farms over the next three years. UBS has similarly committed to the program and its objectives.



Description

The S&P 500 Fossil Fuel Free Index is designed to measure the performance of companies in the S&P 500 that do not own fossil fuel reserves. Fossil fuel reserves are defined as economically and technically recoverable sources of crude oil, natural gas and thermal coal.

Index Attributes

Climate change and its effects present an investment challenge. Many investors are trying to facilitate the transition to a low carbon economy by either financing projects in the renewable energy sector or minimizing exposure to fossil fuel companies. Eliminating exposure to companies that own fossil fuel reserves can also be seen as a hedge against climate-related risks, particularly regulator initiatives and structural changes since companies who own fossil fuel reserves may be the most extensively affected by them.

Fossil fuel data for the index is provided by SAM.

Methodology Construction

This index is a subindex of the S&P Global 1200 Fossil Fuel Free Index. The methodology snapshot that follows applies to the S&P Global 1200 Fossil Fuel Free Index.

- **Universe.** The constituents of the index must be constituents of the underlying index.
- **Constituent Selection.** The index includes only companies that do not hold fossil fuel reserves. The exclusion rules are based on any ownership of fossil fuels, for both third-party and in-house power generation. With respect to coal, the exclusion relates to thermal coal and does not cover companies that are exclusively engaged in the extraction of metallurgical or coking coal. The research for ownership of fossil fuel reserves is conducted by SAM across a number of priority sectors including oil & gas, coal & consumable fuels, as well as mining, materials and utilities. Research is based on publicly available information like annual reports and other company publications.
- **Weighting.** Constituents are weighted by their respective float-adjusted market capitalization.

Quick Facts

WEIGHTING METHOD	Float-adjusted market cap weighted
REBALANCING FREQUENCY	Quarterly in March, June, September, and December
CALCULATION FREQUENCY	Real time
CALCULATION CURRENCIES	USD
LAUNCH DATE	August 28, 2015
FIRST VALUE DATE	December 30, 2011
REGULATORY AUTHORIZATION	European Union

For more information, including the complete methodology document, please visit:
<https://www.spglobal.com/spdji/en/indices/equity/sp-500-fossil-fuel-free-index>

All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

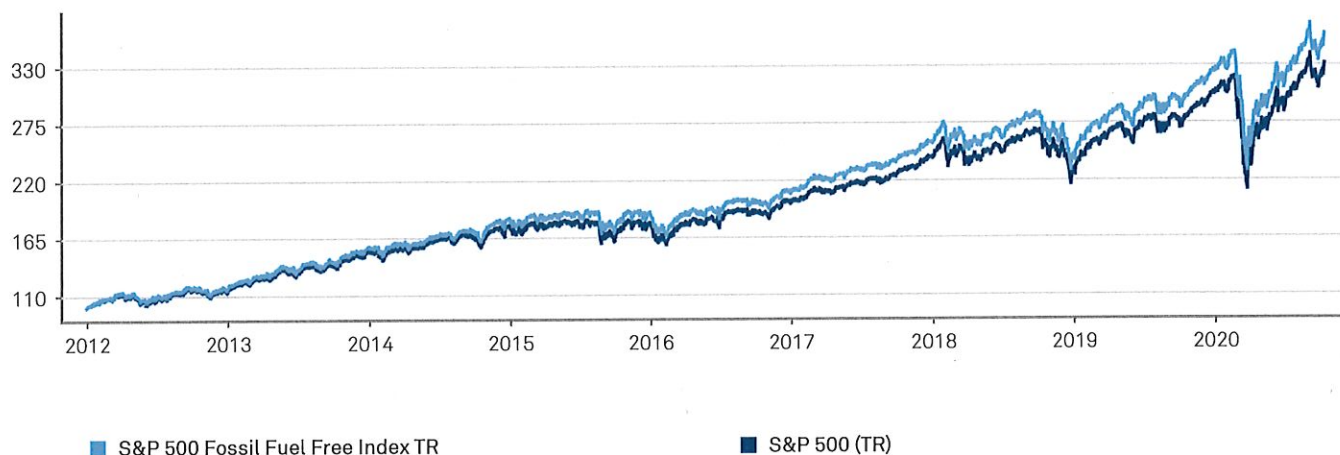
S&P Dow Jones Indices

A Division of **S&P Global**

Strategy S&P 500® FOSSIL FUEL FREE INDEX

Historical Performance

* Data has been re-based at 100



Performance

INDEX LEVEL	RETURNS			ANNUALIZED RETURNS			
	1 MO	3 MOS	YTD	1 YR	3 YRS	5 YRS	10 YRS
Total Return							
3,483.36	-3.63%	9.53%	7.16%	17.07%	13.21%	14.84%	N/A
Price Return							
2,919.73	-3.75%	9.09%	5.71%	14.94%	11.09%	12.61%	N/A
Net Total Return							
3,303.72	-3.66%	9.4%	6.72%	16.42%	12.57%	14.17%	N/A
BENCHMARK* Total Return							
6,918.83	-3.8%	8.93%	5.57%	15.15%	12.28%	14.15%	13.74%
BENCHMARK* Price Return							
3,363	-3.92%	8.47%	4.09%	12.98%	10.11%	11.86%	11.41%
BENCHMARK* Net Total Return							
6,102.78	-3.84%	8.79%	5.13%	14.49%	11.62%	13.46%	13.04%

* The index benchmark is the S&P 500

Calendar Year Performance

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Return	32.48%	-4.17%	23.16%	11.15%	2.98%	15.44%	33.51%	17.85%	N/A	N/A
Price Return	29.96%	-5.97%	20.78%	8.78%	0.9%	13.15%	30.75%	15.24%	N/A	N/A
Net Total Return	31.72%	-4.71%	22.44%	10.43%	2.35%	14.75%	32.67%	17.06%	N/A	N/A
BENCHMARK* Total Return	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16%	2.11%	15.06%
BENCHMARK* Price Return	28.88%	-6.24%	19.42%	9.54%	-0.73%	11.39%	29.6%	13.41%	0%	12.78%
BENCHMARK* Net Total Return	30.7%	-4.94%	21.1%	11.23%	0.75%	12.99%	31.55%	15.22%	1.47%	14.37%

* The index benchmark is the S&P 500

Risk

	ANNUALIZED RISK			ANNUALIZED RISK-ADJUSTED RETURNS		
	3 YRS	5 YRS	10 YRS	3 YRS	5 YRS	10 YRS
Total Return	17.59%	14.76%	N/A	0.75	1.01	N/A
Price Return	17.59%	14.76%	N/A	0.63	0.85	N/A
Net Total Return	17.59%	14.76%	N/A	0.71	0.96	N/A
BENCHMARK* Total Return	17.74%	14.88%	13.25%	0.69	0.95	1.04
BENCHMARK* Price Return	17.74%	14.88%	13.24%	0.57	0.8	0.86
BENCHMARK* Net Total Return	17.74%	14.88%	13.25%	0.66	0.9	0.98

Risk is defined as standard deviation calculated based on total returns using monthly values.

* The index benchmark is the S&P 500

Fundamentals

P/E (TRAILING)	P/E (PROJECTED)	P/B	INDICATED DIV YIELD	P/SALES	P/CASH FLOW
29.08	21.62	3.63	1.62%	2.3	22.66

P/E (Projected) and Dividend Yield are as of September 30, 2020; P/E (Trailing), P/B, P/Sales, and P/Cash Flow are as of June 30, 2020. Fundamentals are updated on approximately the fifth business day of each month.

Index Characteristics

NUMBER OF CONSTITUENTS	488
CONSTITUENT MARKET [USD MILLION]	
MEAN TOTAL MARKET CAP	59,123.99
LARGEST TOTAL MARKET CAP	1,980,644.69
SMALLEST TOTAL MARKET CAP	2,117.21
MEDIAN TOTAL MARKET CAP	23,414.42
WEIGHT LARGEST CONSTITUENT [%]	6.8
WEIGHT TOP 10 CONSTITUENTS [%]	28.4

ESG Carbon Characteristics

CARBON TO VALUE INVESTED (METRIC TONS CO ₂ e/\$1M INVESTED)*	57.08
CARBON TO REVENUE (METRIC TONS CO ₂ e/\$1M REVENUES)*	187.36
WEIGHTED AVERAGE CARBON INTENSITY (METRIC TONS CO ₂ e/\$1M REVENUES)*	193.66
FOSSIL FUEL RESERVE EMISSIONS (METRIC TONS CO ₂ /\$1M INVESTED)	0

*Operational and first-tier supply chain greenhouse gas emissions.
For more information, please visit: www.spdji.com/esg-carbon-metrics.

Top 10 Constituents By Index Weight

CONSTITUENT	SYMBOL	SECTOR*
Apple Inc.	AAPL	Information Technology
Microsoft Corp	MSFT	Information Technology
Amazon.com Inc	AMZN	Consumer Discretionary
Facebook Inc A	FB	Communication Services
Alphabet Inc A	GOOGL	Communication Services
Alphabet Inc C	GOOG	Communication Services
Berkshire Hathaway B	BRK.B	Financials
Johnson & Johnson	JNJ	Health Care
Procter & Gamble	PG	Consumer Staples
Visa Inc A	V	Information Technology

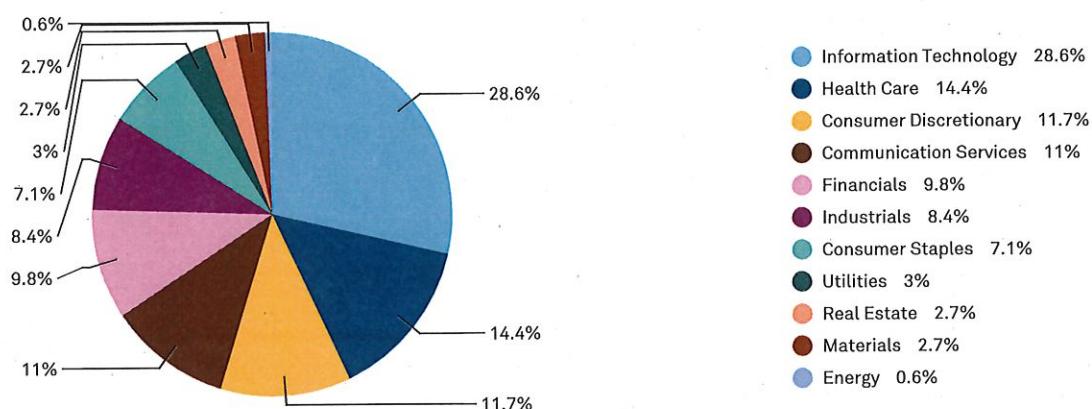
*Based on GICS® sectors

S&P Dow Jones Indices

A Division of **S&P Global**

Strategy S&P 500® FOSSIL FUEL FREE INDEX

Sector* Breakdown



*Based on GICS® sectors

The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weights for the index may not equal 100%.

Country Breakdown

COUNTRY	NUMBER OF CONSTITUENTS	TOTAL MARKET CAP [USD MILLION]	INDEX WEIGHT [%]
United States	488	28,852,505.09	100

Based on index constituents' country of domicile.

Tickers

	TICKER	REUTERS
Net Total Return	SP5F3UN	.SP5F3UN
Price Return	SP5F3UP	.SP5F3UP
Total Return	SP5F3UT	.SP5F3UT

Related Products

This list includes investable products traded on certain exchanges currently linked to this selection of indices. While we have tried to include all such products, we do not guarantee the completeness or accuracy of such lists. Please refer to the disclaimers at the end of this document or [here](#) for more information about S&P Dow Jones Indices' relationship to such third party product offerings.

PRODUCT NAME	PRODUCT TYPE	EXCHANGE	TICKER
SPDR® S&P 500 Fossil Fuel Rsrv Free ETF	ETF	NYSE Arca	SPYX

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Strategy
S&P 500® FOSSIL FUEL FREE INDEX

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Hong Kong
852 2532 8000

Tokyo
81 3 4550 8564

Sydney
61 2 9255 9802

DISCLAIMER

Source: S&P Dow Jones Indices LLC.

The launch date of the S&P 500 Fossil Fuel Free Index was August 28, 2015. The launch date of the S&P 500 was March 4, 1957.

All information presented prior to the index launch date is back-tested. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. Past performance is not an indication or guarantee of future results. Please see the Performance Disclosure at <http://www.spindices.com/regulatory-affairs-disclaimers/> for more information regarding the inherent limitations associated with back-tested performance.

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Retirement Commission Sustainable Investment Update

October 28, 2020

Proposed Addition to Investment Policy Statement

VIII. Integration of Sustainability Factors

- The Charlottesville Retirement Commission believes that the incorporation of Environmental, Social, and Governance (ESG) strategies into the investment process will maximize the plan's risk-adjusted returns. As a result of this belief, the commission shall:
 - Consider the extent to which investment partners incorporate sustainable strategies in their investment research and process
 - Review manager sustainability initiatives on an annual basis
 - Align the selection of investment partners with the commission's sustainability beliefs
 - Incorporate sustainability policies to maximize the financial benefit of the plan's beneficiaries, consistent with fiduciary duty
 - Evaluate appropriate sustainable investments on a case-by-case basis for each asset class allocation
 - Sustainability Beliefs:
 - Climate Change and Fossil Fuels- As long-term investors the commission believes that climate change poses a systemic financial risk to our plan's beneficiaries. Additionally the commission believes that these risks are not properly evaluated through traditional financial analysis.

Sample Motion for consideration:

"I move that the retirement commission for the City of Charlottesville take the following steps related to sustainable investing:

1. *Request Cornerstone Investment Partners to exclude fossil fuel companies from the portfolio*
2. *Request Wells Capital to exclude fossil fuel companies from the portfolio*
3. *Migrate the SSGA Enhanced Large Cap index to the SSGA S&P 500 Fossil-Fuel Free Index*

I further move that the retirement commission adopts the update to its Investment Policy Statement, as presented, and evaluates remaining investments for potential action in accordance with the plan's sustainability beliefs."

Further Details

1. Cornerstone has confirmed that they can accommodate this request and would place a hard limit on any fossil fuel names provided by the Commission, and a soft limit on the identified areas for further review before investing in energy names. Working with our investment managers, staff identified a list of companies with "proven and probable" fuel reserves. These 15 companies would be excluded from Cornerstone's investable universe. The commission previously reviewed the resulting performance data of such a request and found that such a portfolio meets or exceeds the returns of the current Cornerstone 30 portfolio. Cornerstone would replace the current name in the portfolio (Chevron) with another company not limited by the fossil fuel screen.

2. Given that Wells Capital invests in the Large Cap Growth area (think fast growing companies like technology), it is unlikely that they would have a fossil fuel company on their possible

investment list. Staff will ask Wells Capital to confirm this and exclude fossil fuel companies going forward.

3. The fossil free index from SSGA only costs 3 basis points, and is actually cheaper than the 5 basis points we are paying now for the enhanced index. The portfolio returns for prior periods have been included below. Out of the approximately 500 stocks in the traditional index, the fossil fuel free index removes 15 companies from the investable universe (about 3% of the names in the S&P 500. Of note, this exclusion does not extend to companies providing equipment and other services in the oil and gas industry, only those that hold fuel reserves.

Investment	Large Cap Index Proposal							Fee
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
S&P Enhanced Index (current investment)	-4.18%	7.68%	0.89%	9.77%	10.31%	12.46%	13.77%	0.05%
S&P 500 Index	-3.80%	8.93%	5.57%	15.15%	12.28%	14.14%	13.74%	n/a
S&P 500 Fossil Fuel Free Index	-3.63%	9.53%	7.16%	17.07%	13.21%	14.84%	N/A	0.03%
as of 9/30/20								
\$		23,077,125						

4. Continue to work through the remaining allocations on a case-by-case basis. The three changes above represent about 30% of the portfolio, and 46% of the equity portion of the portfolio.
 - a. There are replacements for the other SSGA index funds similar to the S&P 500 Index
 - b. Presentation slides detailing the plan's alternative investments are included
 - c. Several other managers already incorporate ESG strategies in their investment process

List of fossil fuel names in the S&P 500 that would be excluded from the investable universe:

Exxon Mobil Corporation
Chevron Corporation
ConocoPhillips
EOG Resources, Inc.
Pioneer Natural Resources Company
Catalent Inc
Hess Corporation
Concho Resources Inc.
Occidental Petroleum Corporation
Cabot Oil & Gas Corporation
Diamondback Energy, Inc.
Noble Energy, Inc.
Devon Energy Corporation
Apache Corporation
Marathon Oil Corporation