

# **RETIREMENT COMMISSION MINUTES**

The Retirement Commission met on Wednesday, February 23, 2022. The following members were present: Ashley Marshall, Joe Hatter, David Hughes, Jason Vandever, Scott Hendrix, Al Elias, Ben Cullop, Chris Cullinan, Brian Pinkston. Absent: Markell Henderson, Michael Rogers. Others present: Lachen Parks, Sara Butler, Lisa Burch, Krisy Hammill. Steve Scheuermann, Barry Schmitt, Fran Slacum.

## **Call to Order**

Jason Vandever called the meeting to order at 8:32 AM.

## **Approval of Minutes**

The minutes from the January 2022 meeting were approved unanimously.

## **Overview of Defined Contribution Plans**

Lisa Burch presented basic information about the 401a and 457b plans sponsored by the City. Steve Scheuermann from MissionSquare presented an overview of the recordkeeping and educational services they provide for the plans and participants. Barry Schmitt from CapTrust explained their role as Investment Advisor for the plans and how the investment options are monitored on an ongoing basis.

## **Fiduciary Training**

Barry Schmitt and Fran Slacum conducted fiduciary training for the members.

## **Closed Session**

Pursuant to section 2.2-3712 of the Virginia Code, Ben Cullop made a motion that the Charlottesville Retirement Commission should close the meeting and that the Investment Subcommittee should convene in a closed session to discuss investment strategies of the Retirement Fund which are subject to exclusion under § 2.2-3705.7 (24).

On a motion by Ben Cullop, 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.

## **Other Business**

A motion was made by Chris Cullinan to initiate a competitive search for a Large Cap Growth fund manager. The motion was approved unanimously.

## **Adjournment**

The meeting adjourned at 10:27 AM.

## City of Charlottesville Defined Contribution Plans

### Oversight Responsibilities:

- quarterly meetings with CapTrust and ICMA to review fund lineup, plan provisions, plan costs, educational outreach, and plan participation
- periodic review and management of vendor contracts related to plan (financial advisor and record keeper)

### Oversight Options:

1. Staff Committee (Jason Vandever, Krisy Hammill, Sara Butler and Lisa Burch) to meet quarterly with CapTrust and MissionSquare and provide reports to Commission. No public notice required. CapTrust to provide annual report to Commission.
2. Staff Committee plus 1 other Commission members to meet semi-annually with CapTrust and MissionSquare and provide reports to Commission. CapTrust to provide annual report to Commission. Would be able to meet without public notice.
3. Commission sub-committee of 3 or more members. Would require public notice of all meetings.
4. All oversight done by full Retirement Commission. Public notice of all meetings would be required.

## Defined Contribution Plan Change Proposal

### Background

Since 2001, the City has offered an optional defined contribution retirement plan for City employees. The current contribution rate is 8%, and the contributions vest over a three year vesting period. Currently about 33% of active employees are enrolled in the defined contribution plan, but among employees hired in the past five years nearly 50% are choosing the defined contribution plan. While this plan is attractive on a relative basis to the defined benefit plan for new hires, it has not proven as effective as a retention tool. Of employees who have left the City over the past five years, 41% of them were in the DC plan, while plan participation only accounted for 33% of total enrollments. In fact, even on an absolute basis, the City has lost more DC employees with at least 10 years of service than DB employees with at least 10 years of service, despite accounting for only 33% of the workforce.

Staff is recommending that further steps should be taken to improve retention rates for DC plan participants who reach the ten year mark with the City, retaining important leadership and institutional knowledge at a critical time for our organization.

### Proposal

The proposal for the Retirement Commission's consideration would be a step-up in the contribution rate once an employee reaches ten years of service from 8% to 10%. City code outlines that a change in the contribution rate is "determined by the retirement commission with the approval of the city manager (City Code § 19-94 (c))."

### Impact

Staff estimates that approximately 79 employees would benefit from this change at a total cost around \$90,000 annually, split between general and non-general funding sources. Additionally, there are approximately 24 library employees that would be affected if the JMRL Board approves the contribution change. Staff has identified a funding source using plan forfeiture funds to cover the first year's cost. This represents contributions forfeited by employees who left employment prior to vesting. No budget change would be necessary for fiscal year 2023.

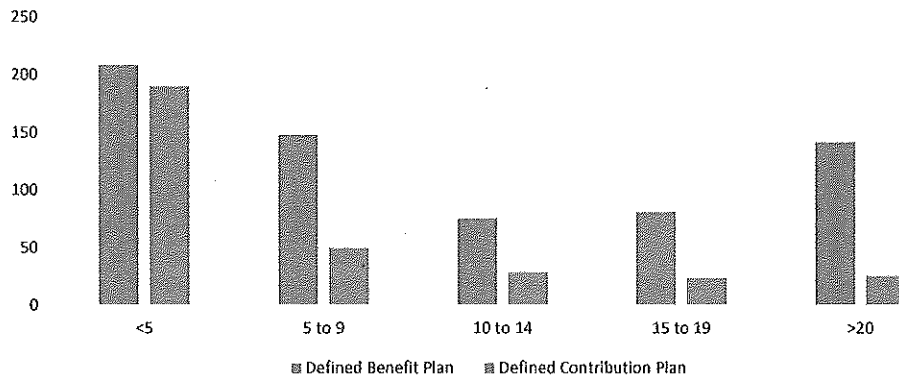
### Recommended Motion:

"I move to amend the defined contribution plan documents, with the approval of the City Manager, to reflect a new contribution rate of 10% for those participating employees with ten or more years of service in a regular, retirement-eligible position, determined as of July 1<sup>st</sup> each year, commencing on July 1, 2022. The determination of eligibility will be made by Human Resources consistent with current personnel and employment policies."

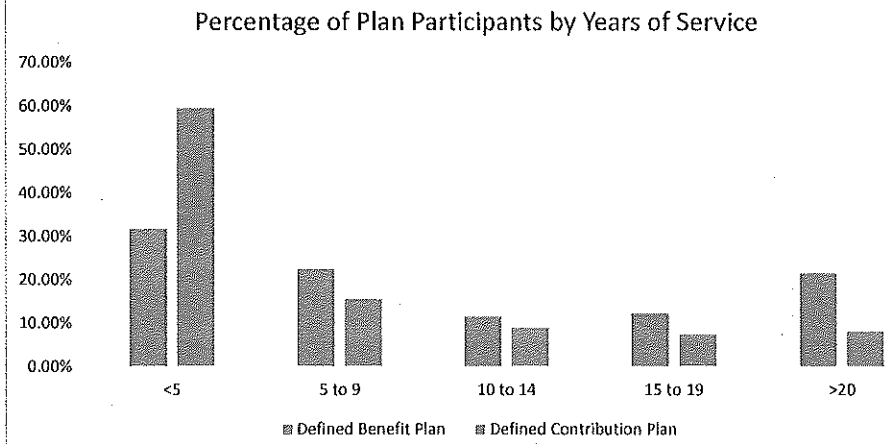
Distribution of Years of Service by Plan						
Plan	<5	5 to 9	10 to 14	15 to 19	>20	Total
Defined Benefit Plan	209	148	76	81	142	656
Defined Contribution Plan	190	50	29	24	26	319

<b>Total</b>	975
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Number of Plan Participants by Years of Service



Distribution of Years of Service by Plan					
Plan	<5	5 to 9	10 to 14	15 to 19	>20
Defined Benefit Plan	31.86%	22.56%	11.59%	12.35%	21.65%
Defined Contribution Plan	59.56%	15.67%	9.09%	7.52%	8.15%



Employee Resignations Over Last 5 Years					
Plan	Resignations	% of Total Resignations	Total Emp. In Plan	% of Emp. In Plan	5 Year Turnover Ratio
Defined Benefit	251	58.64%	656	67%	38%
Defined Contribution	177	41.36%	319	33%	55%
Total	428	100.00%	975	100%	

While DC enrollment accounts for only 33% of all employees, DC resignations account for 41% of total resignations. The ratio of resignations compared to plan participants is significantly higher in the DC plan (55% to 38%).

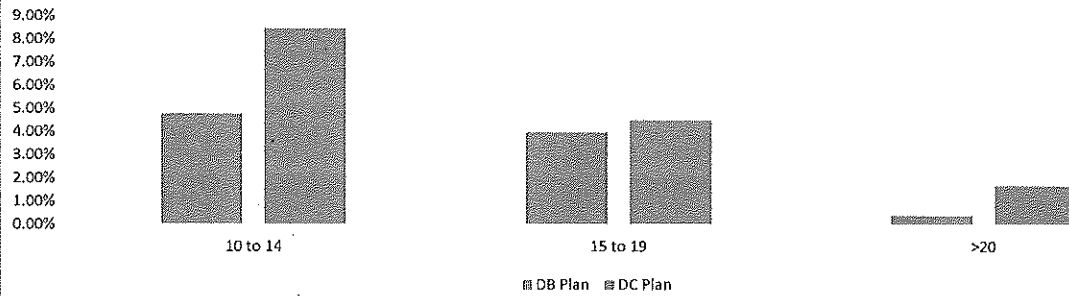
Number of Resignations by Plan and Years of Service						
Plan	<5	5 to 9	10 to 14	15 to 19	>20	Total
Defined Benefit	160	68	12	10	1	251
Defined Contribution	126	25	15	8	3	177
Total	286	93	27	18	4	428

### Resignation Rates by Plan and Years of Service

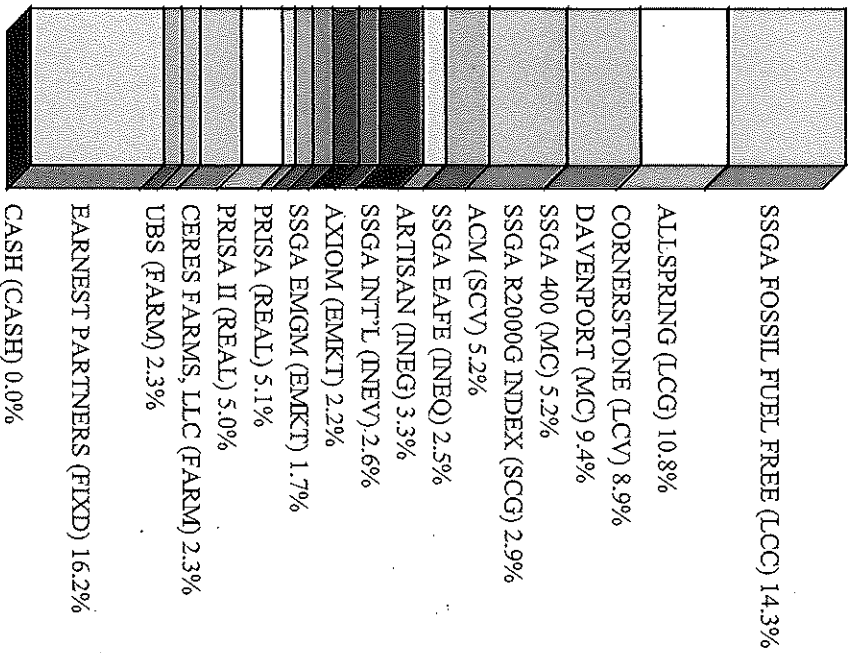
Plan	<5	5 to 9	10 to 14	15 to 19	>20	Total
Defined Benefit	63.75%	27.09%	4.78%	3.98%	0.40%	100.00%
Defined Contribution	71.19%	14.12%	8.47%	4.52%	1.69%	100.00%

While the vast majority of employees make a decision to resign prior to reaching 10 years of service in both plans, the resignation rate after 10 years of service is much higher in the DC plan, showing a difficulty in retention for longer tenured employees.

Resignations as a Percentage of Total Resignations by Plan and Years of Service



**MANAGER ALLOCATION AND TARGET SUMMARY**



Name	Market Value	Percent	Target
SSGA Fossil Fuel Free (LCC)	\$32,366,156	14.3	12.5
Allspring (LCCG)	\$24,422,517	10.8	10.0
Cornerstone (LCV)	\$20,218,622	8.9	7.5
Davenport (MC)	\$21,281,711	9.4	7.5
SSGA 400 (MC)	\$11,889,743	5.2	5.0
SSGA R2000G Index (SCG)	\$6,660,011	2.9	2.5
ACM (SCV)	\$11,885,617	5.2	5.0
SSGA EAFE (NBEQ)	\$5,772,090	2.5	2.5
Artisan (INEG)	\$7,409,216	3.3	5.0
SSGA Int'l (INEV)	\$5,977,618	2.6	2.5
Axiom (EMKT)	\$5,084,607	2.2	2.5
SSGA EMGM (EMKT)	\$3,773,618	1.7	2.5
PRISA (REAL)	\$11,546,723	5.1	5.0
PRISA II (REAL)	\$11,289,606	5.0	5.0
Ceres Farms, LLC (FARM)	\$5,308,977	2.3	2.5
UBS (FARM)	\$5,221,070	2.3	2.5
Earnest Partners (FIXD)	\$36,710,550	16.2	20.0
Cash (CASH)	\$42,431	0.0	0.0
<b>Total Portfolio</b>	<b>\$226,860,883</b>	<b>100.0</b>	<b>100.0</b>