RETIREMENT COMMISSION MINUTES

The Retirement Commission met on Wednesday, September 28, 2022. The following members were present: Chris Cullinan, Jason Vandever, Scott Hendrix, Al Elias, Markell Henderson, Ben Cullop, Ashley Marshall, Brian Pinkston. Absent: David Hughes, Lindsay Ideson, Mary Ann Hardie, Michael Rogers. Others present: Sara Butler, Lisa Burch, Krisy Hammill, Greg McNeillie.
This meeting was held virtually via Zoom.

Call to Order
Jason Vandever called the meeting to order at 8:31 AM.

Approval of Minutes
The minutes from the August 2022 meeting were approved unanimously.

Annual Financial Review
Greg McNeillie from Dahab reviewed the previous fiscal year investment returns for the Charlottesville Retirement System portfolio. He also updated the Commission on the fees paid to our investment managers. The Commission asked Dahab to prepare a report on the private equity asset class for discussion at a future meeting.

New FOIA Procedures
Lisa Burch updated the Commission on the new procedures for all-virtual meetings and the use of city premises for face to face meetings. The Commission acknowledged the new provisions.

Other Business
Jason Vandever confirmed the upcoming member training for November 2 with more details to come later. He also notified the Commission that the November/December meeting will be held on December 14 and will include a presentation from PRISA Real Estate.

Adjournment
The meeting adjourned at 9:31 AM.

Charlottesville Retirement Commission Trustee Training
November 16, 2022
CitySpace
8:15 AM – 3:45 PM

8:15-9:30	State of the Current Economy
9:30-10:45	How to Evaluate an Investment Manager for Hire
10:45-12:00	ESG Basics in Your Portfolio
12:00-12:30	Lunch Break
12:30-1:15	Participant Directed DC Plan Design
1:15-2:30	Next Generation Trustees
2:30-3:45	Advocating Effectively with Your Elected Officials

*feel free to attend any sessions you can

City of Charlottesville

Retirement and Postretirement Benefits Plans

July 1, 2022 Valuation Results

October 26, 2022

SAGE VIEW


1
Retirement
Plan

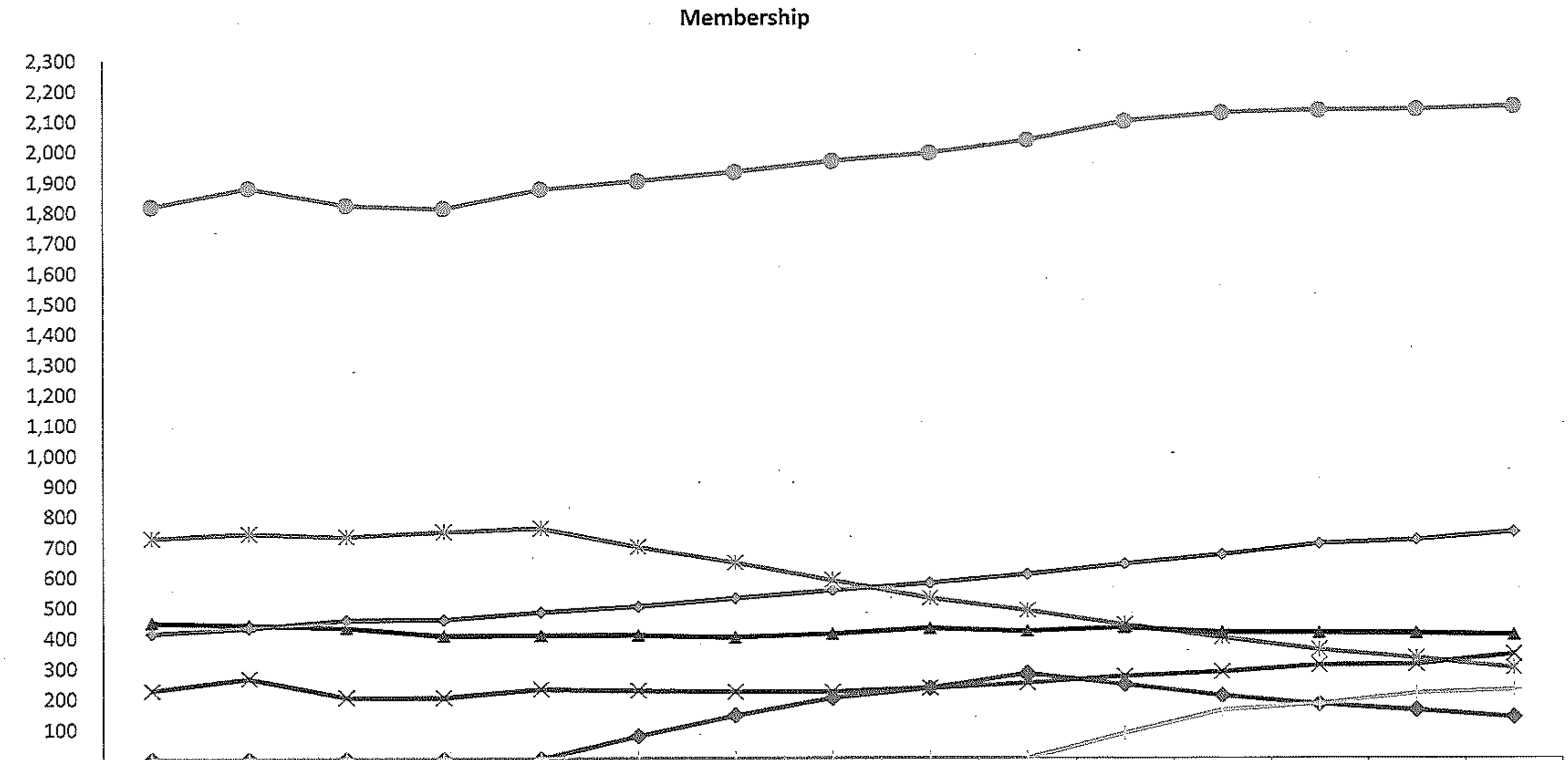
Commentary

- Investment performance
  - Return on Fiduciary Net Position was -11.40% (for financial reporting)
  - Return on Actuarial Asset Value was 5.95% (4-year smoothing for contribution rates)
  - Assumed return is 7.50%
- Net Pension Liability (for GASB reporting)
  - Increased from $63.5M to $93.2M primarily due to investment performance
  - The GASB 67/68 funded status declined from 70.5% to 58.7%
- Actuarially Determined Contribution (ADC)
  - Increases from 24.85% (fiscal 2023) to 25.90% (fiscal 2024)

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 June 30, 2020 valuation
  - In order to determine contribution rates, the unfunded liability as of June 30, 2020 is being amortized over a period of 15 years; this is consistent with the remaining amortization period prior to the completion of the experience study
  - Future actuarial gains (losses) are also amortized over a period of 15 years
- Plan provisions
  - There have been no changes since the last valuation
  - Increased employee contributions are not being used to offset future employer contributions
  - A COLA of 2% was granted effective July 1, 2022; this is higher than our 1% assumption

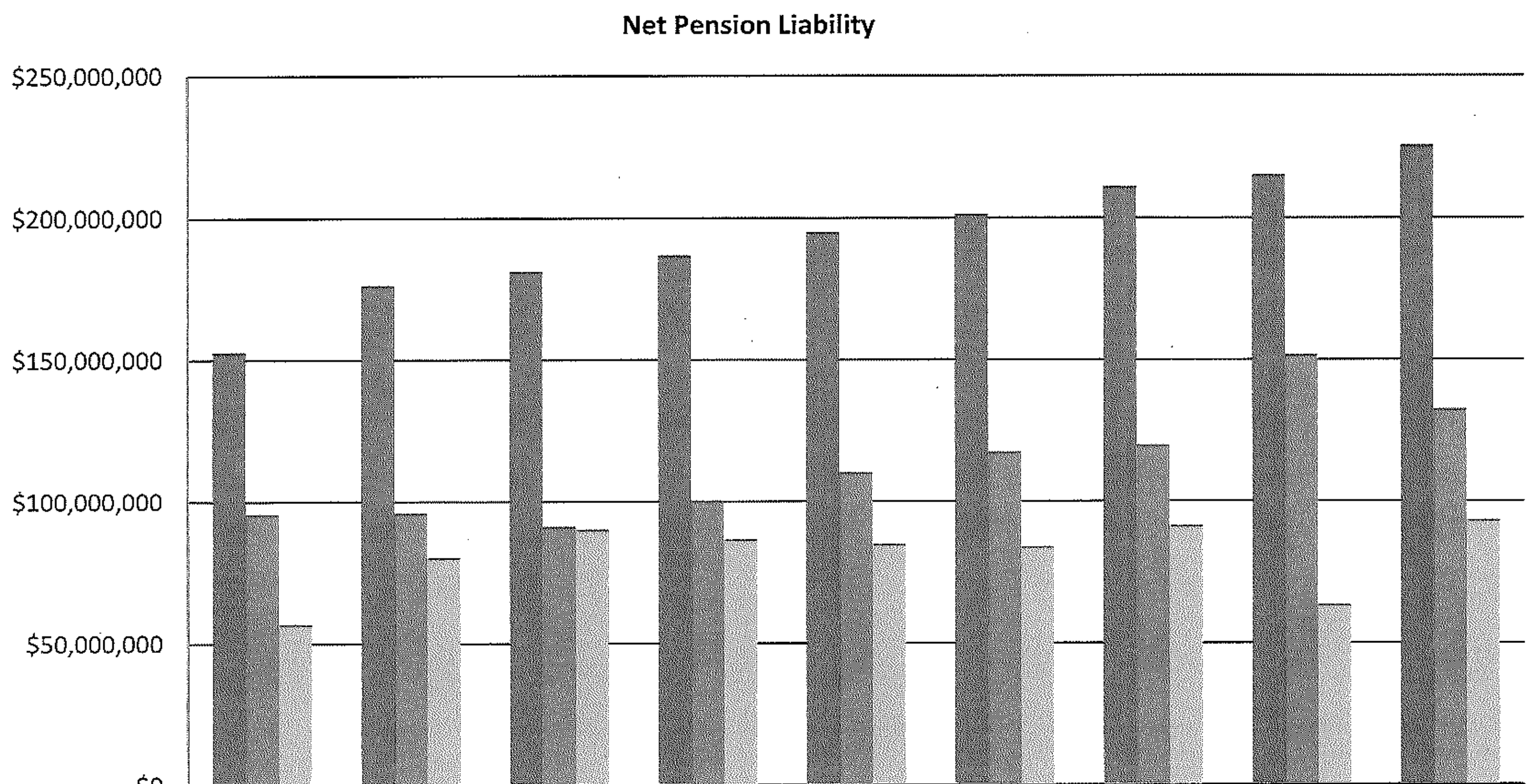
Current Results and Historical Information



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Active Plan 1	728	742	732	747	758	697	644	586	526	485	437	396	356	329	297
Active Plan 2	-	-	-	-	-	75	142	199	231	280	242	205	177	158	135
Active Plan 3	-	-	-	-	-	-	-	-	-	-	82	158	178	212	224
DC Plan	227	266	203	202	229	224	220	219	231	247	269	283	305	308	341
Vested Terms	449	440	431	404	405	405	398	409	427	417	428	412	411	410	404
Retired	414	431	456	457	481	499	526	552	576	604	637	668	704	717	743
Total	1,818	1,879	1,822	1,810	1,873	1,900	1,930	1,965	1,991	2,033	2,095	2,122	2,131	2,134	2,144

- Total membership increased slightly in 2021
- The number of retirees has increased 79% since 2008; there are currently .88 active members for each retiree (down from 1.76 in 2008)
- DC plan membership has trended slightly upward the last several years; 29 of the DC plan members also have a vested benefit in the DB plan

Current Results and Historical Information

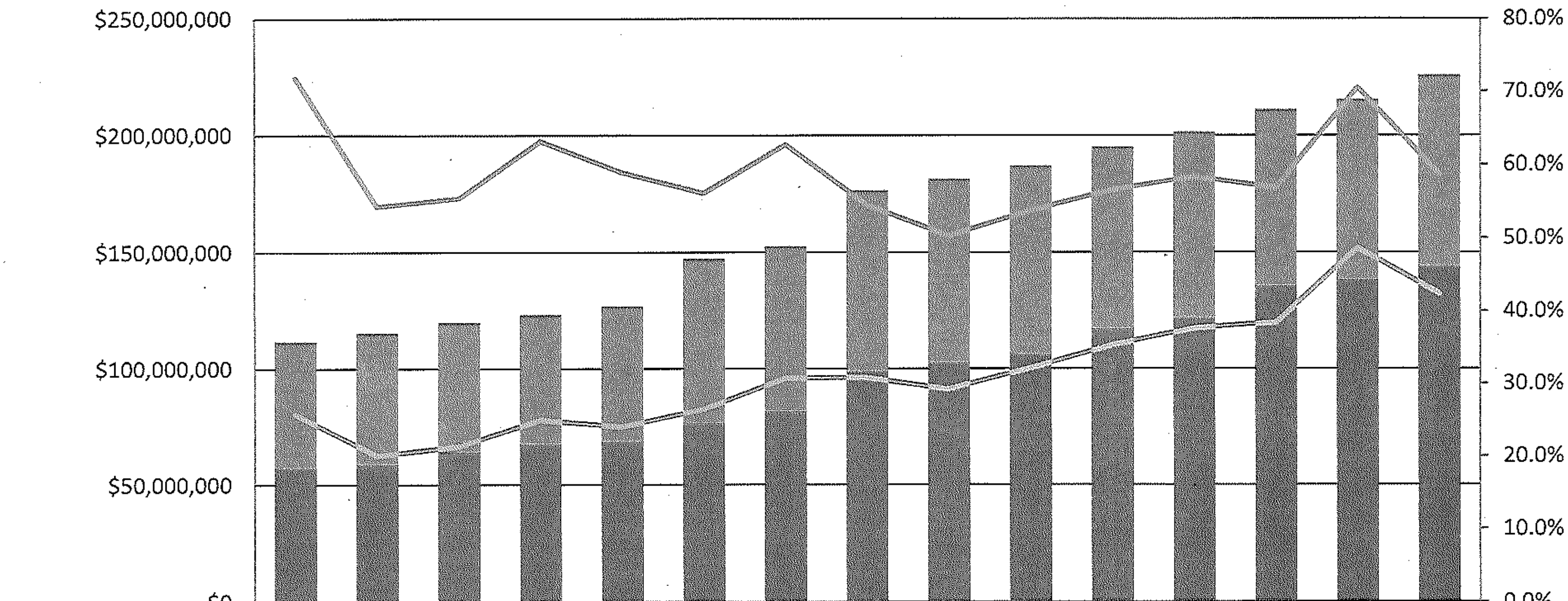


	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension Liability	152,845,015	176,497,294	181,372,831	186,981,459	195,103,526	201,427,626	211,072,055	215,294,510	225,724,262
Fiduciary Net Position	95,898,134	96,099,075	91,212,734	100,400,439	110,307,442	117,476,409	119,920,421	151,825,839	132,515,912
Net Pension Liability	56,946,881	80,398,219	90,160,097	86,581,020	84,796,084	83,951,217	91,151,634	63,468,671	93,208,350

- The Net Pension Liability (NPL) increased in 2022 due to investment performance
- A +/- 1% change in the discount rate would result in a significant change in the NPL (-/+ approximately $23M)
- The NPL is reported on the City's balance sheet in accordance with GASB 68

Current Results and Historical Information

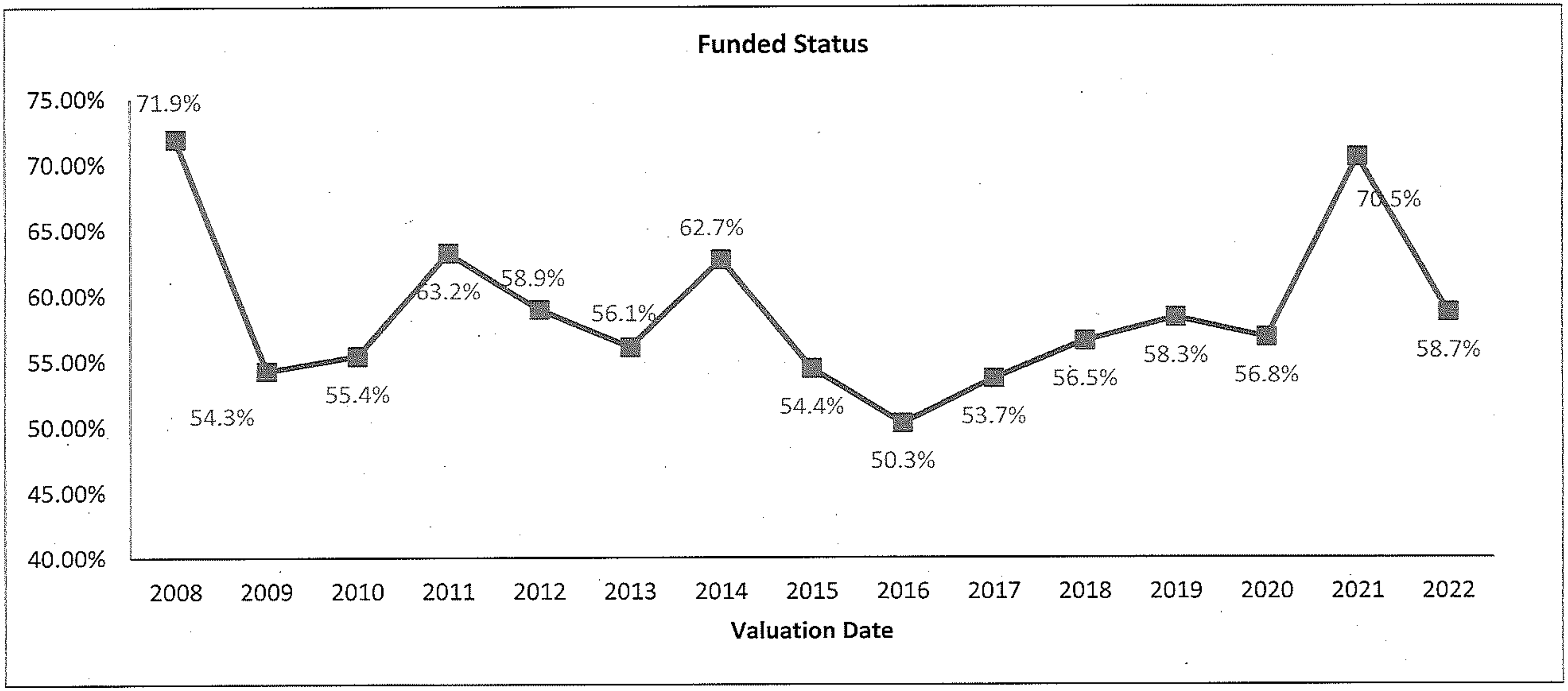
Assets and Liabilities



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Pension Liability - Active	49,707,725	51,974,295	50,877,242	50,550,840	53,668,653	65,233,094	65,442,708	69,958,205	70,224,566	73,398,897	69,829,411	71,674,285	66,992,615	68,592,268	73,239,736
Pension Liability - Term Vested	4,700,830	4,696,273	5,168,289	5,366,642	5,141,264	5,738,112	5,905,585	7,721,024	8,623,608	7,562,970	8,084,730	7,887,418	8,582,624	8,726,227	8,750,199
Pension Liability - Retired	57,516,062	58,862,234	64,047,604	67,445,239	68,419,135	76,451,534	81,496,722	98,818,065	102,524,657	106,019,592	117,189,385	121,865,923	135,496,816	137,976,015	143,734,327
Fiduciary Net Position	80,494,886	62,705,375	66,568,620	78,008,795	74,987,847	82,659,123	95,898,134	96,099,075	91,212,734	100,400,439	110,307,442	117,476,409	119,920,421	151,825,839	132,515,912
Funded Status	71.9%	54.3%	55.4%	63.2%	58.9%	56.1%	62.7%	54.4%	50.3%	53.7%	56.5%	58.3%	56.8%	70.5%	58.7%

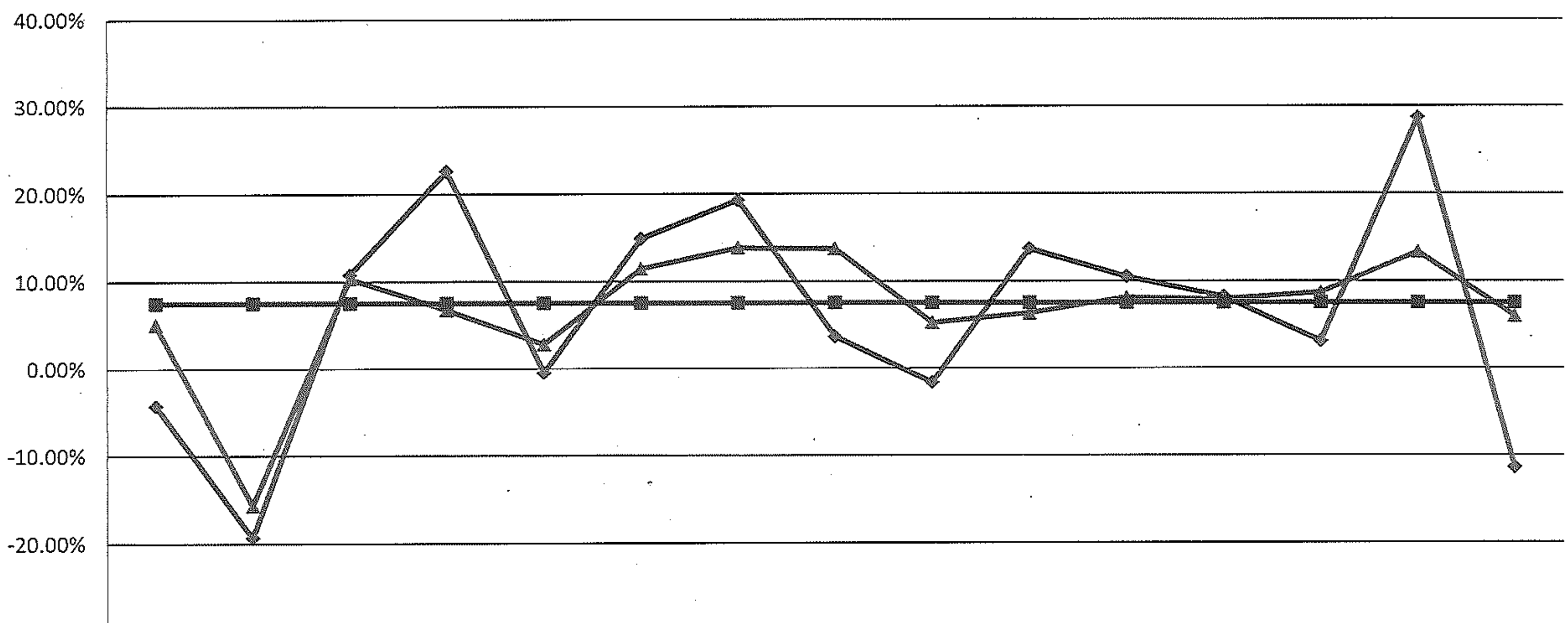
- The Funded status dropped down to the level it was in 2019 due to 2022 investment performance
- The Total Pension Liability has steadily increased as benefits accrue
- In 2022, Retired and Terminated Participants account for 68% of the Total Pension Liability (56% in 2008)

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
- The funded status improved significantly in 2021 due to investment performance and dropped in 2022 for the same reason

Current Results and Historical Information

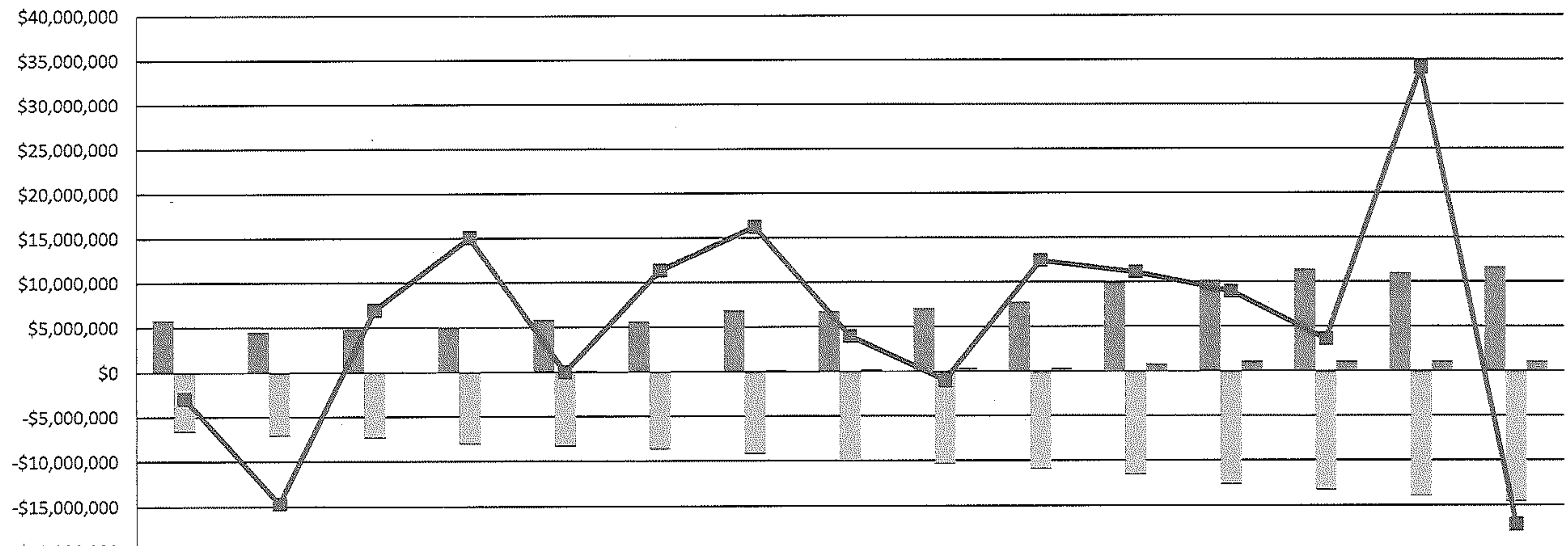


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
MV Return	-4.22%	-19.31%	10.80%	22.64%	-0.46%	14.90%	19.29%	3.63%	-1.64%	13.71%	10.49%	8.18%	3.08%	28.70%	-11.40%
AAV Return	5.05%	-15.67%	10.37%	6.73%	2.77%	11.44%	13.85%	13.75%	5.22%	6.29%	8.07%	7.86%	8.64%	13.30%	5.95%
Assumed	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

- 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, 2022 were as follows:
  - Market Value: 7.81%
  - Actuarial Asset Value: 8.76%

Current Results and Historical Information

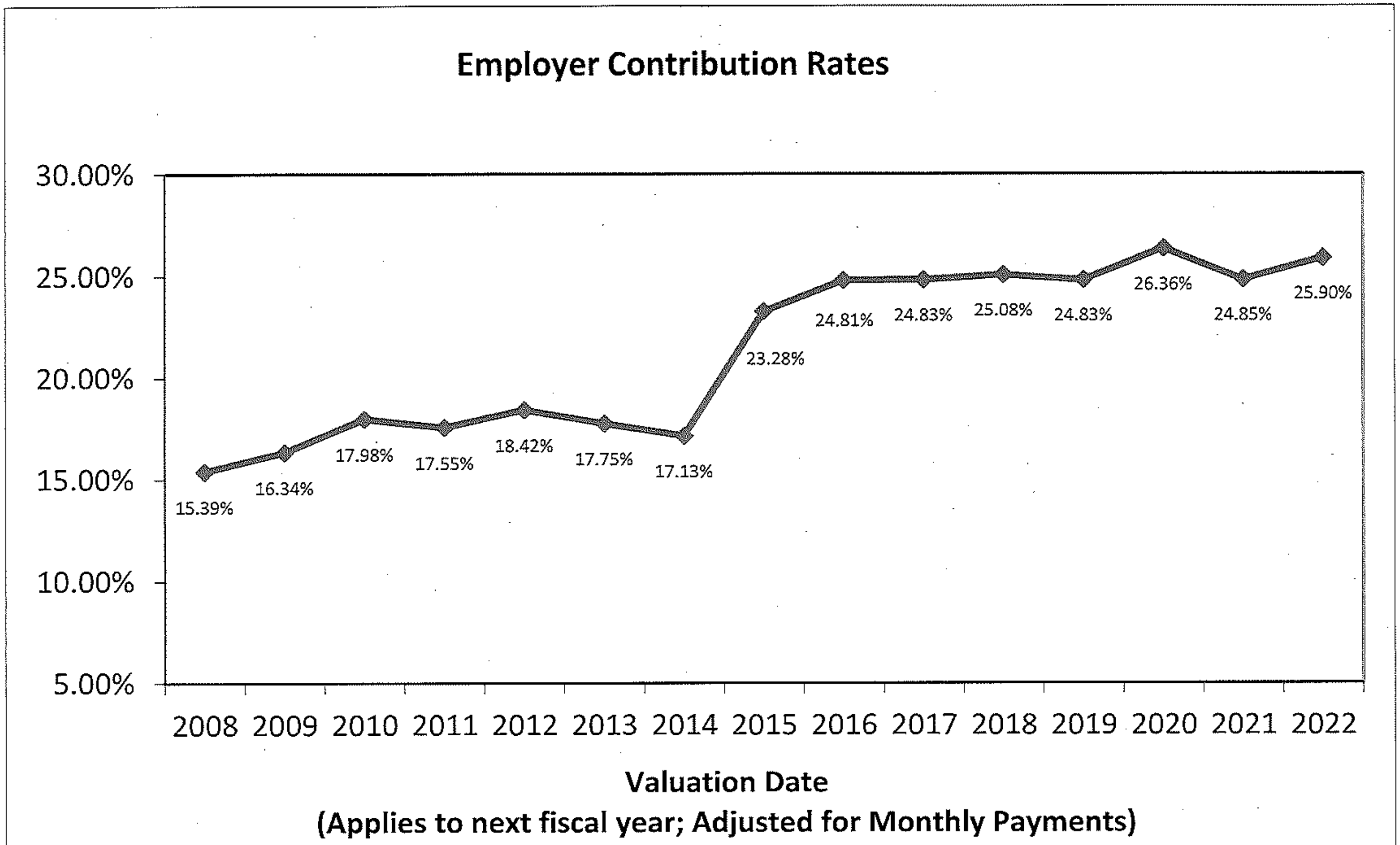
Contributions, Distributions, and Investment Earnings



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer Contribs	5,917,199	4,570,157	4,872,461	5,109,912	5,890,831	5,701,673	6,900,872	6,794,772	7,088,275	7,763,084	9,910,900	10,143,794	11,391,629	11,022,358	11,675,185
Distributions	(6,673,678)	(7,122,364)	(7,386,972)	(8,114,028)	(8,406,649)	(8,756,855)	(9,269,548)	(9,972,849)	(10,502,386)	(11,029,235)	(11,648,911)	(12,780,445)	(13,412,920)	(14,067,437)	(14,688,183)
Employee Contribs	12,270	68,779	46,830	29,942	120,537	54,052	138,129	226,903	342,352	329,599	792,561	1,099,463	1,098,813	1,087,218	1,131,321
Investment Earnings	(2,860,338)	(14,691,528)	6,968,828	15,048,018	(17,058)	11,324,694	16,182,513	3,959,142	(997,464)	12,377,849	11,080,700	8,946,692	3,605,139	34,102,627	(17,187,453)

- Employee contributions have leveled off now that employee contribution rates have been fully phased in
- Employer contributions have always equaled or exceeded the ADC

Current Results and Historical Information

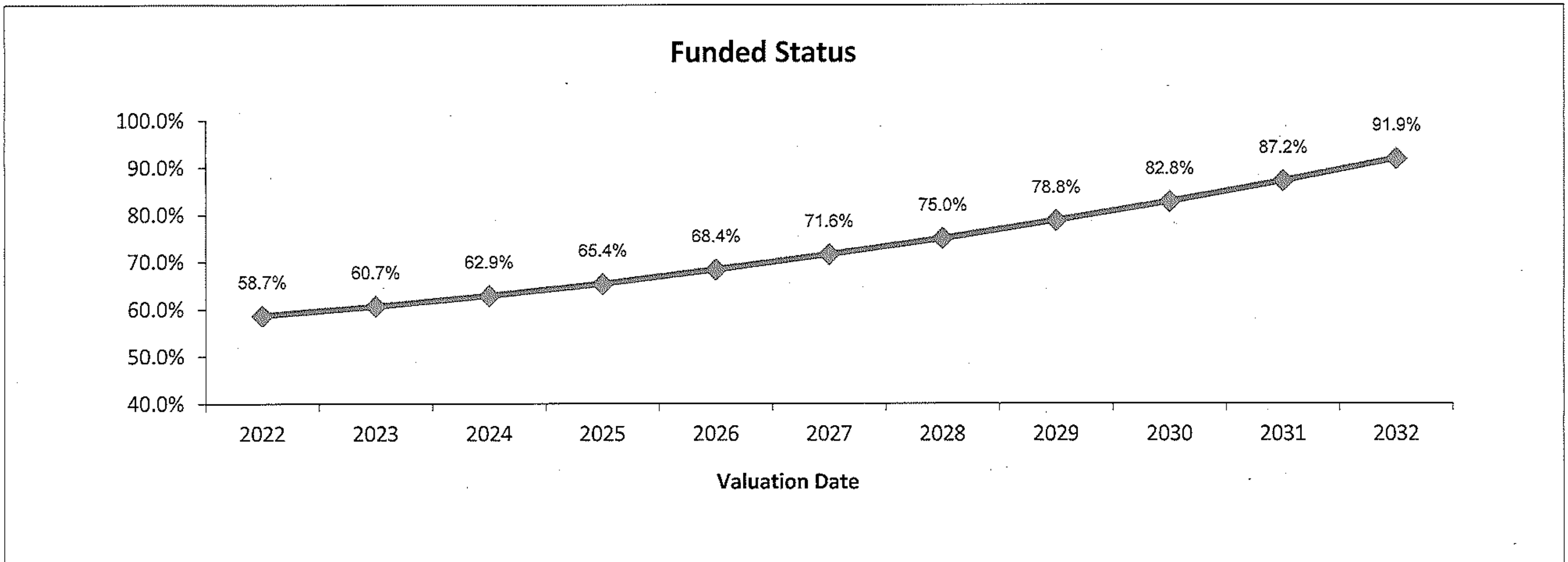


- Contribution rates have increased this year due to investment performance; asset gains and losses are being spread over 4 years to determine contribution rates
- The unfunded liability is amortized as a level percent of pay with the assumption that covered payroll will increase 3% per year. If covered payroll remains level or declines, the rate will increase even though the dollar amount may not. Covered payroll increased 4.40% from 2021 to 2022
- Much of the increase in 2015 was due to the addition of the 1% future COLA assumption

10 Year Projections

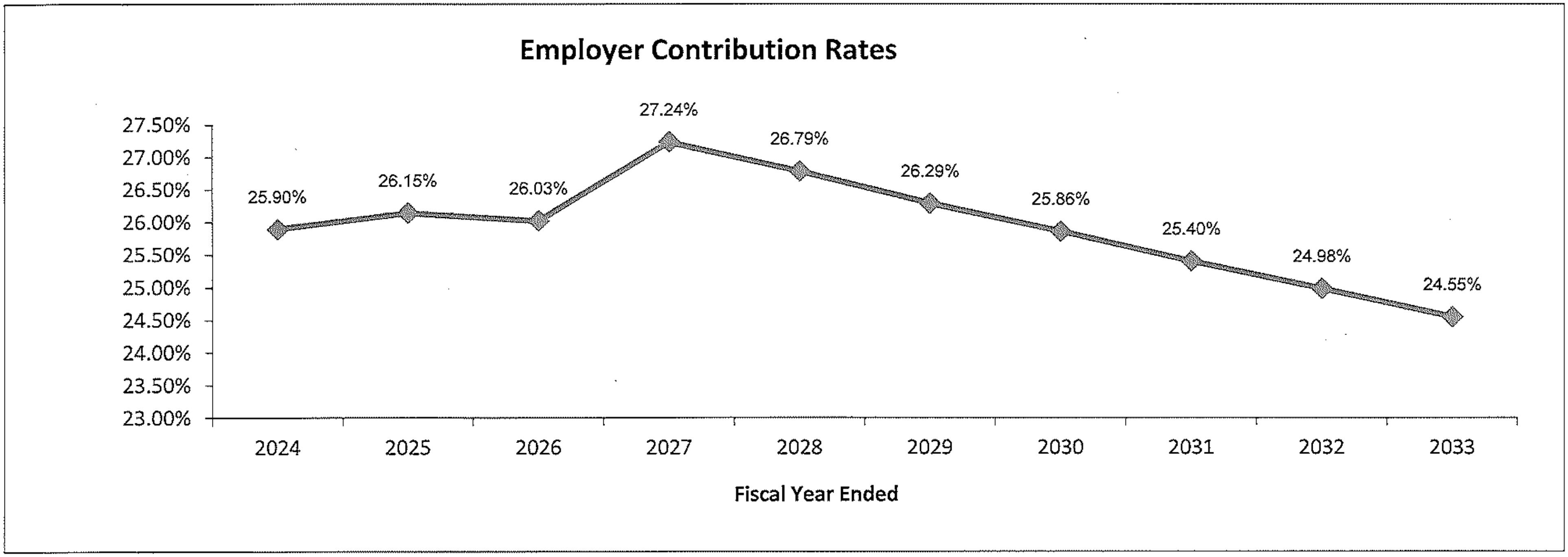
- Assume no changes in plan provisions or contribution strategies
- Active population assumed to remain at current levels
- Assets assumed to return 7.5% each year in the future
- Covered Payroll increases 3% per year
- All other actuarial assumptions assumed to be realized
- It is assumed that the City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

10 Year Projections



The funded status is projected to increase 82.8% by 2030 and 91.9% by 2032 assuming an annual return on assets of 7.5% and full funding of the ADC.

10 Year Projections



Contribution rates are expected to increase slightly for the next three years before beginning to decline as the funded status improves, if all assumptions are realized.