The meeting was called to order to 10:05 a.m.

Mr. Sukhenko reminded the Board members that that this was a special meeting to review Bolton’s reports.

I. Pension Plan Experience Study

Mr. Jim Ritchie from Bolton Partners reviewed the highlights of the Experience Study report. The report was based on actual data from July 1, 2017 to July 1, 2020. Mr. Ritchie explained that they analyzed demographic and economic information to help inform the actuarial assumptions. Mr. Ritchie briefly covered the mortality and longevity assumptions; retirement rates; turnover assumptions; inflation assumptions; investment returns/discount rate; and future payroll growth assumptions.

Mr. Ritchie also reported that no adjustments were made to mortality due to the COVID-19 pandemic because of the lack of data and experience, although impacts from the pandemic may influence future experience studies.

Also on the call: Robert DiSpirito, City Manager; Robert Dawson, Corporate Counsel; Tim Peifer and Xiaojing Zhang, Finance; Daisy Harley, Human Resources; Christian Sevier from Segal Marco Advisors; Jim Ritchie, Colin Slovenkay, and Tom Vicente from Bolton.
For the investment return/discount rate assumption, the Board discussed the reduction from 7.00% to 6.75% based on the results of the Experience Study. Mr. Satterfield asked some clarifying questions on how the discount rate impacts future city contributions into the Pension Plan and was interested in the interaction between the discount rate and supplemental employee contributions (SECs). Mr. Ritchie confirmed that the projected city ADCs and the funded ratios as shown in the Valuation Report assume SECs are not implemented.

(\textit{The Board’s approval of the actuarial assumptions that resulted from the Experience Study took place under the next item.})

\section*{II. Pension Plan Actuarial Valuation}

Mr. Ritchie provided an overview of the Pension Plan Actuarial Valuation. This Valuation was performed to determine the city’s contribution for the Fiscal Year ending June 30, 2023, or FY 2023. Mr. Ritchie reported that the ADC increased this year as a nominal amount and as a percentage of payroll. The plan experienced a gain on assets and demographic changes, as well as lower total payroll than expected. The primary reason for the increase in contribution is due to the change in assumptions from the Experience Study. The FY 2023 contribution of $4,761,898 is assumed to be paid by October 1, 2022. This compares to the FY 2022 contribution of $4,589,309.

One area that Mr. Ritchie highlighted for the Board was the percentage of normal cost paid by each employee group. The Valuation showed that Police employees were paying over 58% of the normal cost while union/admin employees were paying just under 16%.

Mr. Ritchie also highlighted the projections of the ADC and the funded ratio. Over the period shown in the report, the ADC is reduced from $4.8 million in FY 2023 down to $4.1 million in FY 2028, while the funded ratio increases from 84.6% in FY 2023 to 98.5% in FY 2028. These projections are based on the current assumptions and will likely change over time.

Next, the Board discussed SECs. Mr. Ritchie explained that as documented in the provisions of the Pension Plan, the city maintains the right to enforce a SEC. Specifically, as of any July 1, if the city contribution to the Pension Plan exceeds 6.50% of the earnings of the employees, then the city reserves the right to impose a SEC for the following fiscal year. The SEC can be no more than 50% of the excess of the city contribution over 6.50% of earnings for employees. This Valuation showed that the maximum SEC for Police would be 2.89% and for union/admin would be 2.2%. These projections reflect data as of July 1, 2021, and an expected return on assets of 6.75%.

The Board members briefly discussed SECs and asked Mr. Ritchie a few clarifying questions. Mr. Ritchie then asked the Board for their approval of the assumptions that were identified in the Experience Study and then used in the Valuation Report. A motion was made by Ms. Marshall
to accept the assumptions as outlined in the Experience Study. Mr. Satterfield seconded the motion and all members voted in favor (6-0-0).

III. Funding Policy for Post-Employment Medical Benefits

Mr. Tom Vicente provided a brief background on the Post-Employment Medical Benefits (OPEB) plan. He reminded the Board that the plan is over 100% funded and the city’s ADC is $0. As of June 30, 2021, the plan had liabilities of $7.8 million and assets of $12.4 million.

Mr. Vicente recommended a change to the funding policy to help preserve the city’s surplus over time. The proposed funding policy is designed to secure the benefits and avoid budgetary swings that can be caused by year-to-year fluctuations in medical costs. The policy is also designed to finance the benefits as they are earned, maintaining generational equity.

The proposed funding policy computes the ADC as the sum of the cost of benefits being accrued in a year and a payment against the unfunded liability in the plan. The payment is determined as the amount that would fully amortize the unfunded liability over a period of years as described here.

If the plan is underfunded, the actuary would use an amortization approach where each year’s fluctuation in funded status versus expectations is amortized over a fixed 20-year period. This would result in a laddered structure that would help to maintain a stable ADC while continually paying down any unfunded amount. If the plan is in a surplus position, the actuary would amortize the surplus over a rolling 30-year period to avoid using up the surplus too rapidly and to maintain budgetary stability.

Mr. Vicente asked the Board for their approval of the funding policy. A motion was made by Mr. Satterfield to approve the funding policy as outlined by Mr. Vicente. Sgt. Peck seconded the motion and all members voted in favor (6-0-0).

Ms. Webster reported that the next regular retirement Board meeting will be held on **February 11, 2022**, at 10:00 a.m.

A motion was made by Ms. Marshall to adjourn. Mr. Satterfield seconded the motion and all members voted in favor (6-0-0). The meeting adjourned at 11:06 a.m.