

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

428 East Fourth Street • Suite 205 • Charlotte, North Carolina • 28202 • (704) 626-2728 • Fax (704) 626-7365

REGULAR BOARD MEETING MINUTES

January 25, 2018

PRESENT: Mrs. Vanessa Heffron -Chair, BC Tim Ramsey, DC Kevin Gordon, Mrs. Lydia Crutchfield, Mr. Scott Greer, Mr. Robert Campbell, Mr. John Carr, BC David F. Moore, Mr. Marvin O. Wilson Jr., Mrs. Melinda Manning and Mrs. Sheila Simpson

OTHER: CFRS Administrator Mrs. Sandy Thiry, CFRS Counsel Mr. Jason Kay, CFRS staff member Mr. Tony Bass

GUESTS: Cherry Bekaert's Mr. Daniel Gougherty, Active Firefighters Captain Tom Brewer, Captain Lee Thompson, and various additional active and retired CFRS Members.

AGENDA

A. CALL TO ORDER by Mrs. Vanessa Heffron at 8:01am.

A. Mrs. Sheila Simpson-newest Ex-Officio Trustee Board member, Active FF Captain Lee Thompson-CFRS Active Board member candidate and Active FF Captain Tom Brewer, listed on agenda under New Business, all welcomed by Mrs. Heffron.

B. AUDIT REPORT RESULTS- Mr. Daniel Gougherty, Manager - Cherry Bekaert LLP

A. Mr. Gougherty explained audit process, testing controls, testing journal entries and noted no fraudulent activities. Overall results presented at high level - \$475M in plan assets last year compared to this year of \$520M. Investment Income over the year was \$76M. Benefit payments increased by \$3M and 44 new members increase year over year. No material weakness or significant deficiency. Mr. Gougherty stated this was his first year on CFRS audit account and was very pleased with the staff's responsiveness and quality of audit material.

C. CONSENT AGENDA

A. Mr. Carr motioned to approve November 2, 2017 Board meeting minutes, expense reports and Schedule of Retirements. Mr. Wilson questioned Mr. Greer's motion noted in the November minutes. Mr. Kay and staff clarified that the minutes reflect the actions and discussions that occurred during the meeting and not processes or actions taken since that meeting. BC Moore seconded the motion. Motion carried by majority vote.

D. BOARD GOVERNANCE

A. Active Member Board Results – Mrs. Thiry provided update to the current status. Questions were raised about the original number of ballots sent out. The amount was 1065 and the runoff was noted at 1067. Mrs. Thiry believes that the difference was 2 ballots were spoiled and reissued, however will double check and respond back to the Board.

B. Code of Ethics – Since halfway through the fiscal year, Mrs. Thiry gave a gentle reminder and request that not only the new Board trustees but that all trustees review the CFRS Code of Ethics periodically. Discussion ensued regarding comments and remarks being made into the community that were in the restrictions of a recent Closed Session Disability Hearing. Mr. Kay read confidentiality section of Ethics Code and further explained that Trustees come in contact with confidential and sometimes information that is legally protected. Regarding Disability Hearings, information that the Board deliberates on is Board information versus part of a hearing where the applicant discusses medical evidence during

evidentiary part of the hearing. The applicant themselves can disclose whatever and to whomever their medical information should he or she choose to. Discussion continued regarding how to address concerns brought to the Board about hearsay and specifically to (a) Establish a process for the future and (b) Establish a process to determine if there has been a violation. BC Ramsey motioned to have Chair appoint a temporary Ethics Committee to review ethics concern regarding the Disability hearing and such information released. Mrs. Crutchfield seconded motion. Motion approved unanimously.

E. REPORTS-

Investment Committee- BC Tim Ramsey

- A. BC Ramsey gave overview of past quarter events. There was no meeting in December. January's meeting was cancelled due to weather conditions and closure/late opening of City offices. BC Ramsey reminded Board of the continual monitoring of AJO and William Blair who remain on the Watch List. Total fund performance- Return of 3.86% over the course of the 3rd quarter outperforming the Custom Index return of 3.77%. Reviewed investment returns by Asset Class. 12-month rolling returns continue to be positive. Mr. Carr motioned to accept the report. Mr. Greer seconded motion. Motion carried unanimously.

Benefit Committee-DC Kevin Gordon

- A. DC Gordon stated that a correction be made to the committee report to reflect that meetings occurred since November 2, 2017 not July 17, 2017. January's meeting was used to review the Retiree Bonus Methodology and the CFRS' Act language for post-retirement benefits. Mr. Carr motioned to approve the report. Motion seconded by Mrs. Manning. Motion carried unanimously.

Administrative Report- Administrator Mrs. Sandy Thiry

- A. Mrs. Thiry provided the Board with financial statements. All is all on track for the quarter/YTD with no areas of concern. However, noted being under budget to date with pension administration system deconversion expenses.
- B. Pension Review Services -Previous selected vendor withdrew because they could not agree with certain aspects of the contract as it relates to North Carolina statutes and City's rights. Small group met with CBIZ and believe that CBIZ could take on the project and no issues of contract to be expected. Mr. Greer motioned to have Mrs. Thiry to have authority to negotiate a contract with CBIZ at a \$69K fee to do the actuarial review project based on Board's prior decision. BC Ramsey seconded motion. Motion carried unanimously.
- C. Mrs. Thiry informed the Board of Mr. James Daniels retirement and presented Board with an option to use the services of Parker Poe's ERISA attorney, Michel Vanesse going forward. Also noted was a reduction in hourly fee compared to that of prior ERISA attorney. DC Gordon motioned to authorize Mrs. Thiry to use Parker Poe and Michel Vanesse. Mrs. Crutchfield seconded motioned. Motion carried unanimously.
- D. Mrs. Thiry reported out about Cyber Security issues striking the country recently and the recently flooded CFRS office. Discussed that although there has been action to keep business running in the event of a downtime, there is no formal disaster recovery plan or cyber insurance coverage. Reviewed with Board the NASRA 2016 survey of Cyber security insurance steps taken. Staff will continue with research and findings will be brought back to the Board at a later date.
- E. Pension Administration System conversion update was provided to Board. January 1 "go live" was successful. Resolved all identifiable issues such as the annuity factors and Fire Department Service. Planning roll out of employee portal in April 2018. Loading the database with retiree payment information from USBank to eventually roll out access to the retirees. Under budget for project-deconversion fees from Tegrit less than expected and no budgeted overtime used for the project to date.
- F. CAFR update – Staff in midst of reviewing print vendor's draft and once approved for final print, will be distributed mainly via electronic means and minimal printed versions.
- G. Legislative compliance topics- Reminded Board that the Letter of Determination (LOD) process changed and no longer required to submit for a LOD every five years. IRS reviews plans based on the

Required Amendments List published every October/November timeframe. CFRS not affected by the List this year. Ms. Thiry also informed the Board that the recent legislative tax bill regarding the Unrelated Business Income Tax (UBIT) was not passed by Congress and therefore has no impact to the CFRS. Constant monitoring of the UBIT status was performed utilizing various agencies, investment consultant Callan, and the Investment Managers to determine what, if any, requirements would be necessary if passed.

- H. Retiree Annual Enrollment- The City performed an active annual enrollment for retirees (under age 65) due to new plans implemented by the City effective January 1. Between Nov 20th and Dec 8th, Staff worked with the City to communicate to CFRS retirees; reviewed City's enrollment data for discrepancies and issues; and created additional deduction codes with USBank. Successful conversion of rates on the Dec 15th checks.
- I. Education class held with Battalion 5B on December 1st. Battalion 4C is on the horizon- most likely will be in March due to pension administration system implementation.
- J. Charlotte National Building– Ms. Phelps attends these meetings. Heating issues were a problem in the CFRS condo unit and the building superintendent replaced the thermostat at no cost to the CFRS.
- K. Conferences – BC Ramsey motioned to approve conference attendances as follows: T. Rowe Price Forum/April 17, 2018– Mr. Carr, Mrs. Heffron, BC Ramsey (tentative based on election results) and Mrs. Thiry. NCPERS Trustee Educational Seminar, May 12-13, 2018 Mr. Wilson and Captain Thompson (tentative based on election results). NCPERS Annual Conference/May 13-16, 2018 Mr. Wilson. GFOA Conference/May 6-9, 2018 Mr. Greer, Ms. Betty Mattos, Mrs. Thiry and Mr. Tony Bass. Mr. Carr seconded motion. Motion carried unanimously. Mr. Greer motioned amendment for Mrs. Simpson to attend NCPERS Trustee Education seminar. BC Moore seconded motion. Motion carried unanimously. Mr. Greer motioned for Callan College/April, July or October 2018. Mrs. Sheila Simpson, Captain Thompson (tentative based on election results), Ms. Tyralyn Phelps and Mr. Tony Bass. Motion seconded by BC Moore. Motion carried unanimously. Mr. Greer motioned to approve Administrators report. Motion seconded by Mrs. Simpson. Motion carried unanimously.

F. NEW BUSINESS

- A. Active FF Captain Tom Brewer /Disability Regulations – Captain Tom Brewer presented background from a firefighter's perspective. He spoke to fulfilling a dream; being willing to put life on the line; lessons of brotherhood; the dangers of becoming a firefighter; working nights, weekends and holidays missing family time and functions. Captain Brewer gave statistics of 40 hours worked versus a 52 hour working firefighter over the course of their careers and the perception of a 25-year retirement is like a silver platter according to the City. It was ingrained in firefighters that they would receive a 78% disability benefit. Mrs. Heffron opened the floor for Board discussion. (Mrs. Crutchfield left at 9:45 am) Question was raised about the Board Chair presiding over all hearings therefore Mr. Greer asked for clarity of The Act. Mr. Kay explained that The Act is an umbrella and Regulations fall under The Act. It is interpreted in harmony. It's one of the reasons a Vice-Chair can act as Chair when Chair is not present. Concern was raised by firefighters of types of gainful employment as it relates to their disability and hearing process. Mrs. Simpson addressed the concern of HR finding employment within the City for an injured firefighter and she will look into the process. Mrs. Heffron recapped the Board welcomes and hears comments. Dialogue will continue regarding the Disability Regulations and communications. Mrs. Simpson motioned for Board to review potential impact to the System regarding modifying regulations and impact to total partial Disability Benefit claim if its 78% of Final Average Salary. (100%) Assignment will fall to Benefits Committee for follow up. Mr. Wilson seconded motion. Motion carried unanimously.
- B. Mr. Wilson /Disability Pension Offset- Mr. Wilson explained his understanding of the Industrial Commission payment of lump sums. Mrs. Thiry explained to the Board that The Act, section 22 requires offset of any payment made by the City for benefits and further stated the Board developed a policy in 2003 to administer such section. The CFRS pension covers loss of wages. Mrs. Heffron assigned this topic to the Benefit Committee for further review.

Board break at 10:35 am.
Return from break at 10:55 am.

G. EXECUTIVE SESSION

A. At 10:56 am Mr. Carr motioned to Closed Session pursuant to North Carolina General Statute §143-318.11(a)(6) to Consider the Performance of Members of the System Staff. Motion seconded by Mr. Campbell. Motion carried unanimously.

At 11:50 am Mr. Carr motioned to Open Session. Motion seconded by Mrs. Manning. Motion carried unanimously.

ADJOURNMENT

Mrs. Simpson motioned to adjourn at 11:50 am. Mr. Greer seconded motion. Motion carried unanimously.

Next Regular meeting is scheduled for Thursday, April 26, 2018.

cc: Jason Kay, Senior City Attorney