

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

April 25, 2019

PRESENT: Vanessa Heffron - Chair, Lydia Crutchfield, John Carr, Joey Hager, Marvin Wilson, Robert Campbell (left at 12:10PM), Melinda Manning, Lee Thompson and Sheila Simpson

ABSENT: Scott Greer and Ryan Pope

OTHER: CFRS Administrator Sandy Thiry, CFRS staff member Tony Bass, Counsel Lisa Flowers and Counsel Dana Cuberson

AGENDA

I. CALL TO ORDER by Vanessa Heffron at 8:08 am.

II. CONSENT AGENDA

- A. John Carr made a motion to accept the consent agenda, which included April 1, 2019 Special Board Meeting minutes, Expense Reports and Schedule of Retirements, contingent upon corrections to the April 1, 2019 Special Meeting draft minutes consisting of a typographical error, reference to specific trustees, and clarification of VHOL schedule. Reminder was given that a report for the travel represented in the expense reports was emailed to all trustees and the conference materials were posted to the trustee portal for reference only in accordance with material disclosure rules since these are proprietary documents of the presenters. Melinda Manning seconded the motion. Motion carried unanimously.

III. BOARD GOVERNANCE

A. Citizen Trustee term expiring June 30, 2019

- (1) Lydia Crutchfield announced she will not be seeking to renew her term as Citizen Trustee. Vanessa Heffron thanked Lydia for her 11 years serving the Board and the Members of the System. Lydia expressed her appreciation for her opportunity to serve the Board and her love for the Charlotte Firefighters. She also offered Atrium Health resources to aid in the search for a replacement. A small group of trustees will be assembled to look for a replacement trustee.

B. Governance Calendar

- (1) The Governance Calendar, a living document showing the timing of events and a tool to help keep Committees and the Board on task, was reviewed. The Board discussed adding vendor review as a topic to the calendar for the next fiscal year. The calendar will be included in each quarterly Board packet.

C. Experience Study FY2015-FY2019

- (1) The System is due for its next Experience Study. Melinda Manning agreed it is a good time to have this done. If there are any Act changes in the near future, it will provide for a before and after review of such changes. Marvin Wilson questioned why the Board has not raised contributions that have been reflected on the actuary reports. Vanessa Heffron reminded the Trustee that the Board has been spending numerous meetings working through long-term solutions for the vitality of the System. She thanked the groups for supporting these efforts which led to the City's recent agreement for additional contributions to the System above the required annual amount. She encouraged all Board members to work together to support

the System. Further clarification and discussion ensued regarding an Experience Study and how it can impact the assumptions used in evaluating the System. As an example, after the last Experience Study the assumption of unused sick time to extend service was increased, the mortality table was updated to match more of current life expectancies, and the investment Rate of Return was lowered, all which impacted the unfunded liability of the plan. The intent of the experience study is to review key assumptions and reset the assumptions to better align with the actual performance of the plan. The last experience study reviewed FY2010-FY2014. Joey Hager motioned to proceed with Cavanaugh Macdonald Consulting performing the FY2015-FY2019 Experience Study. Lydia Crutchfield seconded the motion. Motion carried unanimously.

IV. REPORTS

1) Investment Committee Report

- 1) John Carr stated the Committee held three meetings since the Board last met. Callan met with the Committee and reviewed the Fund's performance and all investment managers. The Fund returned -5.23%, gross of fees, underperforming the Custom Index of -4.94% in 2018, but the long-term performance remains well above the assumed 7.5% rate of return which is a result of a well-diversified portfolio to mitigate market volatility effects to the Fund. As part of the contract, Callan monitors investment managers and from time to time conducts a search to review potential investment manager candidates. The Committee maintains Morgan Stanley Emerging Markets Equity Fund and William Blair on the watch list. The Public Records request process remains on the work list for the Committee. Melinda Manning motioned to accept the Investment Committee Report. Marvin Wilson seconded the motion. The motion carried unanimously.

2) Benefits Committee Report

Melinda Manning provided an overview of the Committee's progress over the last quarter.

- (1) The Pension Offset Policy review is ongoing to determine the feasibility of applying the recent changes retroactively. Further research is required from Risk Management, Legal and Staff.
- (2) The Pension Review Project has many facets.
 - a. Amortization and Funding Methodology has been partially addressed. A funding request was presented to the City Manager in late 2018 consisting of a one-time cash contribution of approximately \$770,000 and a five-year incremental plan to meet the Actuarial Determined Employer Contribution of approximately 19% vs the statutory employer contribution amount of 12.65%. The Staff will continue to provide updates on this request.
 - b. Spiking has been discussed by the Committee. A comprehensive research request has been assigned to outside legal counsel to review the Act for exploring the exclusion of Overtime in the definition of Compensation.
 - c. Finally, the Committee is prioritizing their agenda to target having the Pension Review Project issues done by April 2020.
- (3) The Military Leave without Pay review has been brought forward by Lee Thompson. He explained that members who are active in the military must take leave without pay if they exceed the two weeks of approved leave of absence for military training exercises. This leave without pay forces a member to work longer to achieve their service retirement. The Committee reviewed the request and it is currently under review with City HR, Staff and Legal counsel. The Committee will review depending on the results of the City and Legal review.
- (4) There are no recommended changes in the Board of Governance Calendar.

- (5) Member Election Service Vendor – Sandy Thiry explained to the Board the circumstances that lead to recommending an electronic vendor. The Committee reviewed multiple options including Survey Monkey, MS Outlook and two outsourced vendors as well as the expenses associated with each option including the cost of in-house administration. The Board in entirety discussed the cost savings and misperceptions relieved by using an outsourced vendor along with the increased ability a member has in casting their vote. The distribution of ballots would be performed by the outsourced vendor. Marvin Wilson explained his hesitation with having various voting options. An explanation was given of how an election is administered including distributing, replacing and verifying ballots. Staff to work with City IT and Intelliscan regarding the distribution of active member ballots. John Carr made a motion to hire Intelliscan, Inc. as the third-party vendor to administer active and retiree elections. Lee Thompson seconded the motion. Motion carried unanimously.
- (6) The recommended changes to the Election Regulations, include modernization updates and processes to use a third-party vendor. The Board requested time to review the updates.

John Carr made a motion to accept the Benefits Committee report without the motion to approve the proposed updated Election Regulations. Joey Hager seconded the motion. Motion carried unanimously.

3) Administrator's Report

- (1) Sandy Thiry explained to the Board the new fiscal year budget review and approval process which must be approved by June 30, 2019. The proposed budget was presented to the Board with discussion on why investment manager fees and realized gain/loss is budgeted. Mrs. Thiry went into detail concerning the Administration section of the budget and answered all questions. Joey Hager made a motion to approve the proposed fiscal year 2020 budget. John Carr seconded the motion. Motion carried unanimously.
- (2) Sandy Thiry updated the Board concerning the USBank retiree portal. CFRS will be one of USBank's first clients to pilot the portal. The retiree will be able to view paychecks, banking and tax withholding information as well as print 1099-R's for the last two years. Training for Staff scheduled for May 2, 2019.
- (3) Sandy Thiry presented to the Board the conference schedule for the next quarter. Joey Hager made a motion to approve Lisa Flowers for the NAPPA Conference and Sandy Thiry, Scott Greer, Melinda Manning, John Carr, Sheila Simpson and Ryan Pope for the NASRA Conference. Lee Thompson seconded the motion. Motion approved unanimously.
- (4) Sandy Thiry brought to the Board how the City of Charlotte uses various rounding methodologies including the hourly wage to six decimal places and the impact it has on trying to calculate retirement benefits. With working on updating the calculator, Sandy Thiry noted various methodologies to rounding decimal places and recommended the Board simplify the calculator to 2 decimal rounding methodology where applicable. Joey Hager made a motion to move to two decimal places rounding. Marvin Wilson seconded the motion. Motion passed unanimously.
- (5) Due to time constraints, Sandy Thiry made high level mention of other items in her report such as the annual audit kick off, annual pension statements update, member education series, and recommended the Board review other topics.

John Carr made a motion to approve the Administrators Report. Lee Thompson seconded the motion. Motion approved unanimously.

V. OLD BUSINESS

A. Kurzel et.al vs. City Update

- (1) Sandy Thiry presented to the Board how the information related to the additional payroll information from the City of Charlotte was gathered, applied to the calculation of revised benefits and presented to the actuary. There is an expected increase in cost to the plan which will lower the funding ratio and cause an increase to the Actuarially Determined Employer's Contribution (ADEC). Question was raised to Section 54 of the act whereby the corrective action is stated. Dana Cuberson read Section 54 of the Act and stated actuarial equivalent is specific, but the Board would need to define what is "practicable". Discussion continued around what is practicable. Joey Hager made a motion to instruct Staff to pay, effective with the 06/15/2019 retiree payroll, the 67 plaintiffs named in Kurzel et al vs City of Charlotte, the recalculated benefit based on the additional compensation information received from the City of Charlotte post retirement and their elected optional form of payment, and a one-time lump sum amount representing the additional benefit for the period between their retirement date and the 06/15/2019 correction date. Further, motion to instruct Staff to provide affected retirees with a letter of communication stating their recalculated benefit amount and lump sum amount. Melinda Manning seconded the motion. Motion carried unanimously.
- (1) A question was raised concerning how the Board will handle others who retired in the same time period of the lawsuit but not named in the lawsuit. The CFRS to receive the contributions from the City for the approximate 142 individuals that have retired since October 25, 2013 by the next board meeting. The Board discussed the option of using the same review process for this group of retirees as done with previous group. Lee Thompson made a motion to approve Staff to recalculate the retirement benefit for the certain retirees identified by the City who retired after October 25, 2013 and who were not in the lawsuit with the same recalculation analysis by the actuary and return results back to the Board for discussion. Joey Hager seconded the motion. The motion carried unanimously.

V. NEW BUSINESS

A. Travel Expense Approval –

- (1) Marvin Wilson's travel expense report was brought before the Board. The expense is for unauthorized travel from a secondary residence to attend the Investment Committee and quarterly Board Meetings which would normally require special advanced approval by the Board. The Board discussed this expense. Lee Thompson made a motion to approve the expense report in full. John Carr seconded the motion. Motion did not pass with a 3 to 2 vote. Robert Campbell made a motion to approve the expense report with a modification to the parking reimbursement to adhere to the expense report policy. Melinda Manning seconded the motion. Motion approved with six affirmative votes.

B. Communication Policy and Attendance Policy

- (1) The Board had a lengthy discussion regarding the communication from the Board to all members- active and retired. Several proposals were brought forward. The Board emphasized the importance of all communication to be the same message no matter how or when communication occurs. The Communications and Attendance Policies were tabled to future meeting due to time constraint.

ADJOURNMENT

Lee Thompson motioned to adjourn at 12:51pm. Joey Hager seconded the motion. Motion carried unanimously.

Next Regular meeting is scheduled for Thursday, July 25, 2019.