

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## BENEFITS COMMITTEE MINUTES

February 13, 2020

**PRESENT:** Melinda Manning, Lee Thompson, Sheila Simpson (left at 9:12 a.m., working session commenced)

**ABSENT:** Scott Greer and Ryan Pope

**ALSO:** Staff - Sandy Thiry, Desire' Dixon, Tony Bass and Legal Counsel Lisa Flowers, Todd Green – Cavanaugh Macdonald (via phone)

### CALL TO ORDER

Mrs. Manning called the meeting to order at 8:03 a.m.

### I. MEETING MINUTES APPROVAL

Lee Thompson motioned to approve the meeting meetings for January 16, 2020 and Sheila Simpson seconded the motion. Motion carried unanimously.

### II. EXPERIENCE STUDY RESULTS – Todd Green, Cavanaugh Macdonald

**A.** Todd Green presented a general overview and purpose of an Experience Study.

- 1) He explained the difference between an annual valuation and an Experience Study. The annual valuation determines the funded status using certain assumptions that have been recommended by an actuary and approved from time to time by the Board. An Experience Study analyzes actual data of members behavior such as when they retired (service), actual salary paid and used in determining their benefit, and unused sick and vacation time accumulated and paid. They also take into consideration market projections and plan assets. For this Experience Study, the 2 biggest areas of impact and cost drivers are the projected rate of return (to be more reflective of the market) and use of a new mortality table (life expectancy). The Society of Actuaries have published a mortality table specific to Fire & Safety workers which was used in this study.
- 2) Salary Component – The assumed salary versus actual salary was in line and recommend no changes to this assumption. The Committee questioned how overtime is considered within the study since CBIZ's Pension Review Project recognized an increasing trend of inflated overtime in an individual's benefits. Todd will examine this concern and will run an annual valuation with base pay versus all other pay. Staff will analyze the overtime data to develop a chart to try and depict behavior.
- 3) The Committee discussed recommendations they could offer the City to help manage overtime costs and abuse such as limit overtime compensation used in determining final average salary, change the definition of compensation for new hires and other plan members and change the averaging period to 3 or 4 year versus the current 2 year period. The Committee is aware of further research that may be necessary to determine risk of compensation changes. Cavanaugh Macdonald reviewed the last 3 years of overtime and determined, on average, the

impact to the ADEC was 1%. Additional areas to help contain costs could include reducing the interest rate applied to Return of Contributions from 4%. COLA's were discussed as to how they are paid and to whom they are paid.

### **III. ACT AMENDMENTS**

- A.** Lisa Flowers and Sandy Thiry presented a red-lined version of suggested changes to the Act and a chart to identify sections with the recommended verbiage for the Committee's review.
- 1) The Act changes will be discussed during the March meeting to give committee members time to review the changes with the goal to present to the Board at the April board meeting. The review of the Act includes correcting for clarity, current market and demographics, and housekeeping. New policies can be implemented and current policies reviewed to support the Act for administration purposes. New policies could include an appeals process for benefit payments, a funding policy to include COLA and bonus eligibility and payments, and remote meeting attendance to name a few.
  - 2) Lisa will review tax qualified plans status to determine if the Act is required to reference the actual Mortality table used to determine benefits.

### **IV. NEW BUSINESS**

The Benefits Committee requested the Investment Committee review the draft Experience Study, specifically the rate of return.

Staff to invite Ryan Bergman to the March meeting.

Working Session ended at 10:40 a.m.

Next Regular Meeting is scheduled for Thursday, March 12, 2020 at 8:00 a.m.

cc: Vanessa Heffron -Chair  
John Carr – Vice Chair  
Lisa Flowers – Sr. City Attorney