

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## INVESTMENT COMMITTEE MINUTES

July 16, 2020

**PRESENT:** John Carr - Chair, Teresa Smith, Joey Hager, Marvin Wilson, and Kelly Flannery (left at 10:30 a.m.)

**OTHERS:** Staff - Sandy Thiry, Desiré Dixon, and Tony Bass

**GUESTS:** Megan Anderson – Managing Director, Winslow Capital Management  
Stephanie Simon – Portfolio Manager, Winslow Capital Management  
Ally Johnson – Winslow Capital Management  
Ted Aronson – Co-CEO, AJO  
Gina Moore – Co-CEO, AJO

## AGENDA

### CALL TO ORDER

John Carr called the meeting to order at 8:01 a.m. Due to the North Carolina's restrictions surrounding COVID-19, the Investment Committee meeting took place via teleconference. Attendance was taken via roll call and all Committee members were in attendance.

### I. LARGE CAP EQUITY REVIEW

**A. Winslow Capital Management** – Megan Anderson reported there has been no changes to personnel, strategies, or processes within the firm over the past year. Team members have transitioned to working from home due to COVID-19 restrictions without disruption.

- 1) Stephanie Simon provided highlights of the portfolio, specifically over the past two quarters with impact of COVID-19 to the market. There were some challenges in the first quarter, but the second quarter represented an exceptional recovery in equities. The Russell 1000 Growth Index led other large cap indices and Winslow Capital added further value. The portfolio year-to-date return, gross of fees, of 12.7%, outperformed the benchmark by 300bps. Given the market volatility, portfolio turnover was higher than normal, but the portfolio was well-positioned to benefit in both extreme market environments. Performance was strong with eight out of the eleven sectors generating positive returns.
- 2) Due to the strong performance in the technology sector, Amazon and Microsoft stock held in the portfolio has drifted above the Investment Policy's 8% maximum weighting. As of July 13, 2020, the weightings have drifted to 9.8% and 8.8% respectively, compared to their benchmark weights of 8.72% and 10.28%. Winslow confirmed that no additional stock has been purchased and weighting is only due to market performance. The Committee will continue to monitor.

**B. AJO** – Ted Aronson informed the Committee of the firm's updates. Greg McIntire has joined the company as a new CIO and Gina Moore is now a Co-CEO with Ted

Aronson. No disruption in business continuity resulting from COVID-19 restrictions. Recent addition of Garence Staraci to Research & Portfolio Management was via virtual and telephonic devices. Rob Louka will be more focused on creative research and less with trading. These changes are part of AJO's initiatives to improve their investment performance.

- 1) Ted Aronson provided an overview of the portfolio. AJO posted a return of 15.9%, gross of fees, for the quarter, compared to the benchmark at 14.3%. This was accomplished while staying true to their investment philosophy and processes.
- 2) Gina Moore discussed the reconstitution of the Russell Index including Microsoft and Amazon, both of which are held in the portfolio. Both stocks offer points on all their pillars of attractiveness when evaluating for stock selection. It was noted that the portfolio is extremely well-diversified with less than 1% up to 3% of any one stock holding.
- 3) The Committee discussed watch status and was encouraged to see positive movement resulting from firm changes. The Committee will continue to leave on watch status.

## **II. MEETING MINUTES**

The Committee reviewed the June 18, 2020 meeting minutes. Marvin Wilson motioned to approve the June 18, 2020 Investment Committee meeting minutes with the additional clarification by John Carr regarding over-the-counter trade definition. Kelly Flannery seconded the motion. The vote was taken via roll call and the motion carried unanimously with all Committee members in attendance.

## **III. LIQUIDATION REQUEST FOR OPERATION EXPENSES**

The Committee reviewed the Asset Allocation Report. Marvin Wilson motioned to withdraw \$4M from Winslow Capital Management. Kelly Flannery seconded the motion. The vote was taken by roll call and passed unanimously with all Committee members in attendance.

## **IV. INVESTMENT COMMITTEE CHARTER REVIEW**

The Investment Committee reviewed their roles and responsibilities and discussed suggested changes to the Committee's Charter. Suggested edits included removal of reference to a Funding Policy since that was assigned to the Benefits Committee, adding flexibility for temporary exceptions of adhering to the Investment Policy Statement if market conditions warrant and an update to the general statutes for meeting requirements. Marvin Wilson motioned to recommend to the Board the suggested changes as presented allowing for clarification for the general statute. Joey Hager seconded the motion. The vote was taken by roll call and carried unanimously with all Committee members in attendance.

## **V. VARIOUS MANAGER UPDATES**

- A. Investment Consultant Contract. Callan has asked for clarification in the Scope of Work in the new contract proposal to allow for verbal report with a redline version to Investment Policy Statement since that has been the direction the Committee has been gravitating to. Upon discussion, Staff will work with Callan to edit the Scope of Work to provide flexibility.

## **VI. NEW BUSINESS**

No new business was presented during the Investment Committee Meeting.

Marvin Wilson motioned to adjourn the meeting at 10:31 a.m. Teresa Smith seconded the motion. The vote was taken by roll call which included John Carr, Teresa Smith, Joey Hager, and Marvin Wilson and carried unanimously.

The next Investment Committee meeting is scheduled for August 20, 2020 at 8:00 a.m.

cc: Vanessa Heffron, Board Chair  
Lisa Flowers, Assistant City Attorney