

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

INVESTMENT COMMITTEE MINUTES

June 18, 2020

PRESENT: John Carr - Chair, Teresa Smith, Joey Hager, Marvin Wilson, and Kelly Flannery (left at 10:00 a.m.)

GUESTS: Debbie Petruzzelli – Managing Director, Barrow Hanley
Arman Palian - Relationship Manager, State Street Global Advisors

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

ABSENT: Legal Counsel- Lisa Flowers

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. BARROW HANLEY MEWHINNEY & STRAUSS, LLC

- A. **Portfolio Review** - Debbie Petruzzelli provided the Committee with company updates and outlook. She advised that the company and the team remain stable during the work from home transition during the pandemic. No timeframe has been set for return to work in office, but discussions continue regarding safely accommodating staff based on the distancing requirements. She reviewed the CFRS Investment Policy Statement and confirmed the firm's adherence with CFRS' portfolio.
- B. Of the \$39.8B in Assets Under Management, \$11.2B are in the Fixed Income Strategy of which the CFRS has \$97.6M invested. As of May 31, 2020, the portfolio beat its benchmark by 75 basis points with a return of 1.22% gross of fees. Barrow Hanley has taken advantage of opportunities created by the effects of the pandemic by selling off and buying high quality companies that they could not afford pre-pandemic. Debbie Petruzzelli reviewed the contributors and detractors within the portfolio as well as the fund's positioning assuming three different possible economic recovery scenarios.

II. STATE STREET GLOBAL ADVISORS

- A. **Portfolio Review** - Arman Palian provided the Committee with company updates and an account summary. There have been no changes in personnel. Business continuity has been tested throughout the years so firm was poised for successful transition to work from home during pandemic.
- B. As of May 31, 2020, the portfolio consists of \$39.8M in Russell 1000 Index Fund, \$43.9M in MSCI EAFE Index Fund and \$31.4M in the Passive Bond Market Index for a combined total of \$115M. There was a total of \$5.5M in withdrawals from the Russell 1000 for operating expenses during the past year but it was traded at no cost to the portfolio. Arman Palian noted that the asset classes of the portfolio were in line with their benchmarks. He also explained the liquidity and trading analytics which

provide low to no cost fees. The CFRS portfolio earned \$20K over the past year through securities lending, which is used to offset the management fees.

IV. MEETING MINUTES

The Committee reviewed the May 21, 2020 meeting minutes. Joey Hager motioned to approve the May 21, 2020 Investment Committee meeting minutes. Teresa Smith seconded the motion. The vote was taken via roll call and the motion carried unanimously.

IV. ASSET ALLOCATION REPORT

Tony Bass presented his research regarding the differences between Callan's quarterly performance report and the monthly Asset Allocation report. Differences between the two reports occur due to the timing of when the information is available to each party. US Bank finalizes their accounting process within 3 days of the month end which the Asset Allocation account balances are derived from. The commingled funds may take longer than the 3-business day close period to report their activity for the month. By the time Callan prepares their report, they have access to all reports that USBank may not have had at the time of month end closing. Tony Bass provided a solution that will provide updates to the Asset Allocation as additional manager reports become available between the month end close and the Committee meetings so that the Committee has as much updated information as possible, noting that there could still be slight discrepancy due to timing of meeting and reports available to both parties.

V. INVESTMENT COMMITTEE CHARTER REVIEW

During the Board's May quarterly meeting, Vanessa Heffron requested for the Committees to review their respective Charters. The Investment Committee will review their roles and responsibilities and discuss any changes during the July Committee meeting. Any housekeeping issues can be resolved at that time.

VI. VARIOUS MANAGER UPDATES / WINSLOW

- A. Megan Anderson of Winslow Capital sent an email referring to the Investment Policy Statement which limits the equity managers to an 8% maximum in any one holding. They have requested permission to exceed the policy limit for Microsoft and Amazon. John Carr discussed with the Committee reasons for capping, the weighting of these tech giants, and the policy which states exceptions can be made with Board approval. Upon discussion, Joey Hager motioned to allow Winslow Capital to exceed the 8% of the market value for Microsoft and Amazon with monitoring through regular monthly updates from Winslow. Kelly Flannery seconded the motion. A vote was taken via roll call and the motion carried unanimously.

- B. Paul Garbe from MFS contacted Sandy Thiry regarding over-the-counter securities that are not currently permissible within the CFRS Policy Statement. John Carr explained that over-the-counter securities typically refers to stocks that do not meet the share price (i.e., penny stocks) and the number of shares outstanding requirements of any of the US stock exchanges. MFS utilizes these types of trades with their other clients and would like to extend the same to CFRS. The Committee discussed transparency of investing and the Board's adopted policy. They determined that over-the-counter investments do not meet the requirements or standards specified in the Investment Policy Statement nor do they want to recommend a change to the policy to provide for such type of investments.

VII. NEW BUSINESS

No new business was presented during the Investment Committee Meeting.

Marvin Wilson motioned to adjourn the meeting at 10:50 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. The motion carried unanimously.

The next Investment Committee meeting is scheduled for July 16, 2020 at 8:00 a.m.

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