

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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BENEFITS COMMITTEE MINUTES

August 13, 2020

PRESENT: Melinda Manning - Chair, Ryan Pope and, Sheila Simpson (left at 10:00 a.m.)

ALSO: Staff - Sandy Thiry, Desire' Dixon, Tony Bass, Ty Phelps and Legal Counsel Lisa Flowers

GUESTS : Bill Karbon-CBIZ, Ryan Bergman, Marvin Wilson, Allen Middleton, Rob Bowlin

ABSENT: Lee Thompson

CALL TO ORDER

Mrs. Manning called the meeting to order at 8:05 a.m. Due to the gathering restrictions surrounding COVID-19, the Benefits Committee meeting took place via teleconference. Attendance was taken via roll call with all members present, except Lee Thompson.

I. MEETING MINUTES APPROVAL

Ryan Pope motioned to approve the meeting minutes for July 9, 2020 and Sheila Simpson seconded the motion. Motion carried unanimously via roll call with trustees who were present.

II. FUNDING ANALYSIS - CBIZ

Bill Karbon provided recap of the request made by the City for additional funding analysis overview to project plan assets and liabilities for thirty years based on the census data from the July 2017 actuarial valuation report and the recent assumptions adopted by the Board, including the rate of return on investments at 7.25%, for three scenarios; (1) current plan provisions, (2) changing compensation averaging period to four years, and (3) changing the definition of compensation to base pay. The projections were also based on the following funding policies:

- a) Employer contribution increases to 14% of pay for all years
- b) Employer contribution increases to 14% in year one and increasing by 2% annually until the Actuarially Determined Employer Contribution (ADEC) is reached and continuing at the ADEC for all subsequent years
- c) Employer contribution increases to ADEC for all years

Bill Karbon reviewed the results of the analysis. Bill reminded the Committee that these are estimates based on certain assumptions. If reality is different than assumptions, different results will be realized.

- a) Under the current with no benefit changes and the employee contribution stays at 14%, the funding ratio will continue to gravely decline. By increasing the contribution annually until the ADEC is met, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 45.7%. If paying the ADEC immediately, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 32.2%.

- b) Under the four-year averaging period scenario with a stagnant contribution rate of 14%, the funding ratio gravely declines but not as much as the current plan with a 14% contribution rate. By increasing the contribution annually until the ADEC is met, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 41.3%. If paying the ADEC immediately, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 30.2%.
- c) Under the Base Pay as Compensation scenario with a stagnant contribution rate of 14%, the funding ratio declines but not as much as the current plan with a 14% contribution rate or the four-year averaging period. By increasing the contribution annually until the ADEC is met, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 24.4%. If paying the ADEC immediately, full funding may be achieved in 30 years. However, the employer contribution rate may reach as high as 22.8%.

Ryan Bergman expressed concern over the employer contribution rate into the mid 40 percentile range. The Committee discussed these options again and confirmed their prior determination that there is insufficient information from the City to know what goal the City would be wanting to target. The topics of compensation and benefit formula/costs are City issues that need to be discussed between HR and Finance.

III. ACT AMENDMENTS

The Committee members discussed the suggested Act Amendments language as noted in the updated red-lined version provided by legal counsel. The Committee spent considerable time discussing a statute of limitations. This does not apply to underpayments. Currently the plan has no statute of limitations of how far back to go to claw back overpayments. Sandy Thiry explained that this topic came up a few years ago by previous legal counsel when the Board was reviewing the Act for updating. Current counsel explained that the pension plan is viewed as a contract and contracts typically have a limitation period. Legal Counsel will make updates to the suggested edits based on today's discussion and will have ready for the Committee to review at a Special Meeting.

IV. NEW BUSINESS

No new business was presented during the August Benefits Committee Meeting.

Working session began at 10:00 a.m. and meeting ended at 10:11 a.m.

A Special Committee Meeting will be confirmed and held prior to the Next Regular Meeting.

Next Regular Meeting is scheduled for Thursday, September 10, 2020 at 8:00 a.m.

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