CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

MEETING NOTICE AND AGENDA

DATE: January 22,2021

TO: Board of Trustees

Charlotte Firefighters' Retirement System

FROM: Sandy Thiry – Administrator

The regular quarterly meeting of the Board of Trustees of the Charlotte Firefighters' Retirement System (CFRS) will be held on Thursday, **January 28, 2021 at 8:00 A.M**. The meeting normally held at the CFRS Office, 428 East 4th Street, Suite 205, Charlotte, North Carolina will be conducted remotely due to COVID-19 restrictions. You may access this meeting by dialing (650)419-1505 with participant code, 550085615.

AGENDA

- I. CALL TO ORDER (5 minutes)
- II. CONSENT CALENDAR (5 minutes)
 - a. Board Minutes October 22, 2020
 - b. Schedule of Retirements
 - c. Expense Reports

III. REPORTS

- a. Annual Audit- Dan Gougherty, Cherry Bekaert LLP (15 min)
- b. Benefits Committee Report (15 minutes)
 - i. Motion to adopt amended BC Charter
- c. Investment Committee Report (15 minutes)
- d. Administrator Report (15 minutes)
 - i. Conference Approval

IV. BOARD GOVERNANCE (5 minutes)

a. Review of Governance Calendar

V. OLD BUSINESS

a. Clay Morris' Request to Board (10 min)

VI. NEW BUSINESS

VII. EXECUTIVE SESSION

a. Adopt a motion to enter closed session pursuant to North Carolina General Statute §143-318.11(a)(6) to Consider the Performance of Members of the System Staff.

If you would like copies of the agenda materials, please contact the CFRS office at (704)626-2728 or CFRS@charlottenc.gov. Please note, time allotments listed above are approximate and may vary.

Next Board Meeting: April 22, 2021

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

October 22, 2020

ROLL: Vanessa Heffron – Chair, John Carr, Melinda Manning, Kelly Flannery, Teresa Smith, Ryan

Pope, Joey Hager, Renee Metzler, Marvin Wilson, Lee Thompson (arrived at 8:10 a.m.), and

Sheila Simpson (left at 10:25 a.m.).

GUEST: Retired Member Clay Morris, and Active Member Jeff Clark

OTHER: CFRS Staff Sandy Thiry, Tony Bass, Desire Dixon, Sr. Assistant City Attorney Lisa Flowers,

and Todd Green - Cavanaugh Macdonald

AGENDA

I. CALL TO ORDER by Vanessa Heffron at 8:01 a.m. Due to the ongoing restrictions of COVID-19, the Quarterly Board Meeting took place remotely by video conference. The new Citizen's Trustee, Renee Metzler was introduced to and welcomed by the Board members. Todd Green of Cavanaugh Macdonald was also acknowledged as being present. Roll call was conducted.

II. CONSENT CALENDAR

Marvin Wilson motioned to approve the Consent Calendar which consisted of the minutes from the July 23, 2020 Annual Board Meeting and the September 3, 2020 Special Board Meeting, Expense Reports, and Schedule of Retirements. Sheila Simpson seconded the motion. Vote was taken via roll call and the motion carried.

III. BOARD GOVERNANCE

The Governance Calendar was reviewed and determined all assignments were on schedule. The Benefits Committee is working to finalize their review of the Benefits Committee Charter.

REFIGHTERS

IV. REPORTS

A. Annual Valuation – Todd Green (Cavanaugh Macdonald)

Todd Green presented the results of the Annual Actuarial Valuation of the City of Charlotte Firefighters' Retirement System. The purpose of the report is to provide a summary of the funded status of the System as of July 1, 2020 and to recommend rates of contribution. He discussed the estimated calculations for assets and liabilities. He explained the basic retirement funding equation: Contributions plus Investment Income equals Benefits Paid plus Expenses (C + I = B + E).

- 1) The market value of assets decreased slightly from \$558.8M to \$558M while the actuarial value increased from \$566M to \$580.1M, compared to July 1, 2019.
- 2) The Market asset return of 3.12% was 4.13% less than the 7.25% expected rate of return. and The Actuarial asset return of 5.76% was 1.49% less than the 7.25% expected rate of return. Individual pay increased at an average of 7.64% versus the 5.48% expected rate and the total projected payroll increased 7.13% versus the 3% expected increase.
- 3) Certain assumptions since the previous valuation, including various economic and demographic assumptions, have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2019. The revised assumptions were adopted by the Board on May 28, 2020 including lowering the annual rate of inflation assumption from 3% to 2.50% and

increasing the current rate of wage inflation assumption from 0.75% to 1.25%. The Investment Rate of Return changed to 4.75%, resulting in a reduction from 7.50% to 7.25% net investment return assumption. Payroll Growth decreased from 3% to 2.50%. Other changes included the Withdrawal and Retirement Rates, Base Mortality, Mortality Projection, and the Unused Annual Leave assumption at retirement increased from 2/3 year to 1 year. The Amortization Method changed to a layered closed amortization approach.

- 4) Active membership increased from 1047 to 1067 while the retiree membership increased from 750 to 765 and the deferred vested increased from 15 to 16 Members. Total active membership's payroll increased from \$77 to \$82.5M and the total retiree benefits increased from \$37.7M to \$39.1M.
- 5) The actuarially determined employer contribution rate based upon the Board's adopted funding policy is 28.91% of payroll for the fiscal year ending June 30, 2022, up from 21.04% for the previous fiscal year. It is important to note that the employer statutory contribution rate is equal to 12.65% leaving a contribution shortfall of 16.26% of payroll.
- 6) The unfunded liability increased to \$178.5M caused by various assumption changes related to current economic and demographic shifts, primarily lowering the investment rate of return assumption, and changing the Mortality Table causing the biggest impact to the increase. The funding ratio changed from 82.7% to 76.5%.
- 7) The experience investigation performed as of June 30, 2019 resulted in the Board adopting a closed layered amortization method for the Unfunded Accrued Liability (UAL). This method provides that the current UAL will be amortized as a level percent of payroll over a closed 30-year period. Amortization of any future experience gains and losses will be over a closed 15-year period, changes to assumptions and methods over a new closed 30-year period, plan changes/benefit improvements over a closed 20-year period, and exceptional plan changes/benefit improvements over a closed 5-year period.
- 8) COLA and bonus were also discussed. The Act's provision related to providing a COLA or bonus to retirees requires consent from the System's actuary. The impact of adding COLA or bonus for the retirees would increase the System's unfunded liability. Therefore, the System's actuary did not recommend a post-retirement adjustment. Other options include requesting the sponsor of the plan to fund a post-retirement payment.

Mr. Green pointed out that future actuarial results may differ significantly from the current results presented in this years' report due to such factors as plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

John Carr motioned to accept the Annual Valuation report. Joey Hager seconded the motion. Vote was taken via roll call with all trustees and the motion carried.

B. Benefits Committee Report

Melinda Manning provided an overview of the Benefits Committee Meetings since the July 23, 2020 Board Meeting. The Committee held three regular meetings and a special Benefits Meeting. Primary focus for these meetings were the Pension Review Project, the Act Amendments, and the Committee Charter.

1) The Board discussed and approved at the Board's Special Meeting held in September the suggested funding and amendment changes presented by the Committee. The changes include an incremental year over year 2% employer contribution for the next five years, military purchase cost for new hires to be aligned with other service purchase costs, some minor edits for clarity and legal references, and general housekeeping edits. Vanessa Heffron, Melinda Manning and Sandy Thiry are on the agenda to present to the City's Budget Committee on October 27, 2020.

- 2) The SECURE Act changes need further research before presenting to the Board for suggested amendment.
- 3) The Benefits Committee noted that they would continue their review of the recent analysis performed by CBIZ regarding options the City may have for controlling the cost of the plan. Discussions regarding the definition of compensation will continue as additional research is needed.
- 4) Staff worked with legal counsel for a comprehensive review of the Charter to present to the Committee for review including the reference of a funding policy. The Committee will review the changes and present to the Board at the January Board meeting.

John Carr motioned to approve the Benefits Committee Report and Marvin Wilson seconded. Vote was taken via roll call with all trustees and the motion carried.

C. Investment Committee Report – John Carr

John Carr provided an overview of the Investment Committee meetings since the July 23, 2020 Board Meeting. The Committee held three meetings - August 20, 2020 meeting with Callan for the 2Q 2020 Investment Review, September 17, 2020 meeting with Colchester and October 15, 2020 meeting with UBS Trumbull Property Fund and JPMorgan Strategic Property Fund. The Investment Managers gave updates regarding the Covid-19 impact on our investments, on the capital markets, and their organizations as well as natural disasters and any impact to properties held within the portfolios. Maintaining a focus on our long-term strategic investment plan is crucial.

- 1) Callan provided an Investment Review for 2Q 2020. During this period, positive investment returns added \$67.5M in market value while benefit payments and operating expenses deducted \$5.1M. As a result, the ending Total Fund market value was \$556.1M as of June 30, 2020.
- 2) The Total Fund returned 13.72%, gross of fees, over the course of the Second Quarter, which outperformed the Custom Index return of 12.78%, and ranked in the 17th percentile in the Callan Public Fund Sponsor Database. The 5-year return of 6.28% versus the Custom Index return of 6.45% placed the Fund in the 35th percentile. Since Callan's reporting inception period (32 years), the Total Fund returned 8.85% outperforming the Custom Index by 64 basis points on an annualized basis and ranked in the 9th percentile among all Public Funds in their database.
- 3) All Investment Managers' performance and organizations were reviewed with a primary focus on the Watch List managers.
 - a) Morgan Stanley Emerging Markets Equity has trended toward improvement over the past three quarters however they will remain on the Watch List for long-term performance concerns.
 - b) UBS Real Estate was placed on the watch list due to recent team changes and performance concerns. They have developed a plan to improve performance but will take time to implement. UBS will remain on watch.
 - c) Barrow Hanley was placed on watch in August 2020 due to a change in ownership per the Investment Policy Statement. Callan will help monitor the ownership transition. The change in ownership is not expected to impact the CFRS fund or contract with Barrow Hanley.
 - d) AJO, CFRS's large cap value manager, announced on October 14, 2020 that the firm will be closing on December 31, 2020. The Committee will review the best options for permanent replacement with Callan based on the asset studies.

MOTION: The Investment Committee motioned to terminate the AJO contract based on AJO's closure notice to the CFRS; liquidate the assets by October 30, 2020; and transfer the assets to the existing SSgA Russell 1000 Index. Melinda Manning seconded the motion. Vote was taken via roll call with all trustees and the motion carried.

Ryan Pope motioned to accept the Investment Committee's Report. Sheila Simpson seconded the motion. Roll call vote was taken and the motion carried.

D. Administrator Report – Sandy Thiry

Sandy Thiry provided the Board with the Administrator's report of the Staff and System's past quarter's activity.

- 1) The activities included preparing the financial statement for FYE2020 and the estimated first quarter FY2021. Sandy reviewed the administrative budget for FY2020 which came in under budget overall and the first quarter of FY2021 was on track. Annual Valuation data extracts and review were conducted and forwarded to the actuary in a timely manner. The annual audit is currently underway. Office operations continue during COVID-19 with partial re-entry to the office; 2 to 3 days per week with staff on-site staggered during the week. Building is still locked down to public. Consultations and applications are conducted remotely via conference calls. Membership education is being coordinated with the City of Charlotte HR team to incorporate "mySuccess" learning modules. More to come on this as we work through the initiative. Station visits have been on hold due to COVID-19. Recruit classes 112 through 115 received comprehensive education regarding disability pension provisions with follow up meeting near their graduation dates to learn about the main pension plan provisions. Active Trustee Election update was provided. Public record requests have been in depth and vary from requestor. Requestors include financial publications, active members, and retirees. These requests are managed along with the day-to-day activities and deadlines. The System does not have a dedicated information office or staff to fulfill these requests.
- 2) Conference attendance was discussed. Most conferences have been cancelled with some moving to virtual concept. The NAPPA conference had not been cancelled yet nor has there been any announcement for virtual attendance. Sandy asked that the Board approve Lisa's attendance for this conference. Sandy also explained that Joey's accreditation for Trustee requires ongoing credit hours to maintain certification. Due to certain classes that may be offered between Board meetings, Sandy asked the Board to approve expenditure for Joey's classes not to exceed \$500 per class and managed within the approved budget.

Kelly Flannery motioned to approve the conference attendance for Lisa Flowers and Joey Hager. Ryan Pope seconded the motion. Vote was taken via roll call with all trustees and the motion carried.

Lee Thompson motioned to accept the Administrators Report. Melinda Manning seconded the motion. Vote was taken via roll call with all trustees and the motion carried.

5 Minute Recess

V. NEW BUSINESS

A. Special Audit - Sheila Simpson

Sheila Simpson stated she and other trustees received a series of opinions, comments, and accusations recently regarding vacation-in-lieu of holiday (VHOL) and the *Kurzel* lawsuit from a few retirees. Although these topics have been intertwined by these individuals, they are not the same. Sheila read aloud an August 30, 2020 email of concern from Marvin Wilson addressed to trustees and some Members alleging fraud. She stated that she and others took an oath to uphold the laws and provisions that govern the Act and added that she did not appreciate nor accept his accusation. She re-iterated that the *Kurzel* lawsuit, which was against the City not the CFRS, resulted in a settlement agreement that revised the City's vacation and sick payouts for *Kurzel* plaintiffs and other retirees the City determined fell within the three-year statute of limitations. It was suggested that an audit be conducted if the Board has any strong belief that any type of fraud has been committed by the Board or the Administrator. Sheila Simpson recommended that the Board have the CFRS Administrator provide an overview of how retirement benefits are calculated and to allow Trustees the opportunity to ask questions they may have

about the process. Accusations by Trustees without specific evidence or misappropriations should not be tolerated. Trustees discussed that it should be the responsibility of each Board member to conduct themselves in a professional manner when addressed by members or retirees regarding the System and that Trustees should support the Board's decisions while keeping personal feelings separate. Vanessa Heffron reminded the Board that the System receives clean audits each year and demonstrates strong internal controls. Developing a communication policy was also discussed. Ryan Pope and Joey Hager will continue the work they have done so far. Joey Hager will also follow up with NCPERS regarding communication in compliance with trustee fiduciary responsibilities. Sandy Thiry will coordinate educational training for Trustees regarding member information received from the City and how that information is used in calculating a member's benefit per the CFRS Act.

B. Benefit Payment - Clay Morris

Clay Morris addressed the Board regarding the vacation and holiday payout prior to retirement and the reasons for his concerns. He stated his understanding of the Volunteer Correction Program (VCP) completed by the Board through the IRS was about a mistake and it was obvious it was about the *Kurzel* lawsuit. Sandy Thiry and Lisa Flowers explained that the VCP, which was filed in January 2016, was a scriber error when the Act was updated in 2000 and had no relation to the *Kurzel* case.

C. Outside Legal Counsel, City Resolution of VHOL, Act- Section 8; 2016 VCP filing; Retiree Deaths

- Marvin Wilson
- 1. Marvin Wilson requested that the Board consider hiring outside Legal Counsel. The Act currently provides that the Board can hire outside legal counsel as deemed necessary. The Board requested that staff research firms that specialize in public pension systems.
- 2. Marvin Wilson raised concerns over how VHOL is scheduled. The Board discussed that VHOL is a City function based on the City's policies for managing work time. While VHOL time may be included in a member's vacation payout and/or unpaid vacation at retirement and thus plays a part in a member's retirement benefit calculation, the CFRS does not have control over how VHOL is administered and does not receive information from the City on the amount of VHOL that is included in a member's unused vacation payout or remaining unpaid vacation.
- 3. The Board discussed how Section 8 of the Act provides for how unpaid sick and vacation time is applied in the pension benefit. This will be included in the educational training mentioned above.
- 4. Marvin Wilson recognized the 15 retirees who passed away this year by reading their names aloud during the meeting.

ADJOURNMENT

Joey Hager motioned to adjourn at 11:13 a.m. Ryan Pope seconded the motion. The motion carried.

Next Regular meeting is scheduled for Thursday, January 28, 2021.

cc: Lisa Flowers, Assistant City Attorney

Charlotte Firefighters' Retirement System Members Presented to Board for Approval January 28, 2021 Board Meeting

Qualification of Membership Service and 30-90 Day Election Period as defined by the Act verified with System's Administrator

Fname	МІ	Lname	DOH	DOR	Station	Rank	Retirement Type
Daracus	L	Newman	01/23/1991	12/12/2020	1-A	Division Chief	Service
Derek	Р	Alexander	8/26/1992	12/19/2020	17-A	Captain	Early
Cynthia	D	Bonham	11/30/1992	12/19/2020	Admin	Deputy Chief	Service
John	Т	Hartsell	6/28/1/995	12/19/2020	Admin	Battalion Chief	Service
Robert	L	Myers	8/26/1992	12/19/2020	17-C	Battalion Chief	Service
James	L	Ogden	7/19/2000	12/19/2020	42-B	FFII	Service
Thomas	R	Williams	5/22/1996	12/19/2020	27-B	Engineer	Service
Henry	D	Martin	02/02/1995	12/26/2020	36-B	FFII	Service
Thomas	G	McClain	11/29/1995	12/26/2020	36-B	Captain	Service
Timothy	E	White	03/01/2000	12/26/2020	40-A	FFII	Service
Robert	В	Cook	08/27/1997	1/2/2021	13-C	FFII	Service
Anthony		Davis	4/10/1996	1/16/2021	40-A	FFII	Service
Troy	Α	Ratchford	11/6/1996	1/16/2021	37-C	Captain	Service
Gary	F	Fisher	8/27/1997	2/6/2021	17-A	Engineer	Service
Chrisopher	L	Bradey	01/26/1994	3/13/2021	2-C	Captain	Service

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM EXPENSE REPORT

NAME: SANDY THIRY

Туре	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
DATE:								
Departure Time								
Arrival Time								
Airfare								\$0.00
Taxi/Limo/Shuttle								\$0.00
Rental Car								\$0.00
Tolls/Parking								\$0.00
Conf Sp Events								0.00
Meals								\$0.00
Tips/Misc.								\$0.00
Lodging								\$0.00
Other Gratuities								\$0.00
Registration Fees								\$0.00
TOTAL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Mileage	1							0.0
0.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Other Expenses

Date	•	Item of Expense	Purpose	Explanation	Amount
					\$0.00
	1/15/2021	Pepipost (email service pr	ovider)		\$75.60
					\$0.00
TOTAL					\$75.60

101/12		1 4.0.0
I certify the above expenses	to be true and accurate:	Entered 1/19/21
Attendee's Signature:	Sandy Thury	
Administrator's Signature:	Findy Hring	
D-4-	Annuaria Damanta (Daimbura amant Camus	A 200 1 10 10 10 10 10 10 10 10 10 10 10 10

Date	Approval Remarks/Reimbursement Comments	Amount
		\$0.00
		\$0.00

	Deduct Prepaid		TOTAL Due Traveler or (Due
Total from Above	Expense	Deduct Travel Advance	System)
\$75.60			\$75.60
Travel from:		Travel to:	
Purpose of Trip:			
Chairman's Signature:	N.,	Treasurer's Signature:	

Rev. 1-2020

Audit Results

Charlotte Firefighters' Retirement System (CFRS)

January 28, 2021

Daniel T. Gougherty, CPADirector





Agenda

Role of External Auditor

Key Highlights

Internal Controls

Significant Audit Areas

Financial Results

Summary & Questions



Role of the External Auditor & Audit Results

Actions

Plan & Perform
Procedures

Obtain Reasonable Assurance

Free from Material Misstatement

Results

Express Opinion on Financial Statements

Unmodified

Required Communications

Policy Changes

Estimates

Journal Entries



Key Highlights

Results

Opinion

Unmodified Opinion – Financial Statements

Internal Controls

No Findings

Required Communications

No Significant Policy Changes

Estimates: Fair Value of Investments

No Adjusting Journal Entries



Internal Controls

Identify
Significant
Transaction
Cycles

Journal Entries

Information Technology Controls

Obtain Understanding

Walkthrough of

Key Controls

Obtain "Data Dump"

Mine for Unusual Transactions **IT Questionnaire**

General Computer
Controls



Significant Audit Areas



Tested Substantively:

Confirmation Analytics Test of Details and Controls



Assets (in thousands)

	Comparison				
Assets	2020	2019			
Cash & Investments	\$ 557,285	\$ 558,252			
Other Assets	1,532	1,334			
TOTAL	\$ 558,817	\$ 559,586			



Additions to Plan Net Position (in thousands)

Additions to Disc Not Desition	Comparison				
Additions to Plan Net Position	2020	2019			
Investment Income, Net.	\$ 17,216	\$ 22,930			
Contributions	22,220	20,803			
TOTAL	\$ 39,436	\$ 43,733			

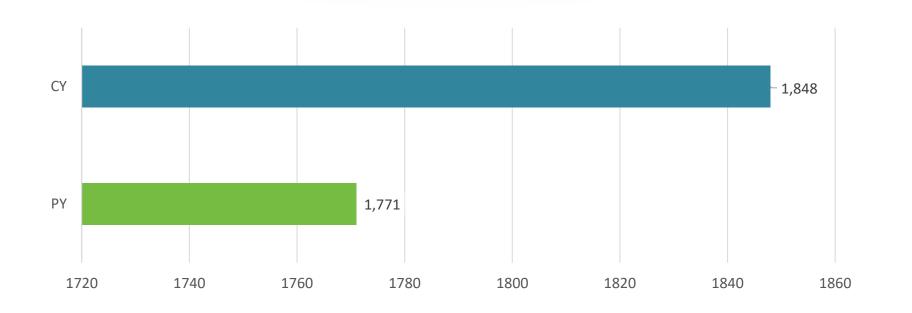


Deductions to Plan Net Position (in thousands)

Dadustians to Dlan Not Bositian	Comparison			
Deductions to Plan Net Position	2020	2019		
Benefits	\$ 38,642	\$35,709		
Other	1,622	1,048		
TOTAL	\$ 40,264	\$36,757		



Membership Numbers





Results Summary

No Clean **Journal Opinion Entries** Full Cooperation with Management **Good Internal No Findings Controls**





Questions or Comments?

Daniel T. Gougherty, CPA *Director*

dgougherty@cbh.com

704.377.1678







BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JANUARY 28, 2021

To: The Board of Trustees

FROM: Melinda Manning, Chair Ryan Pope Lee Thompson

Sheila Simpson Renee Metzler

RE: BENEFITS COMMITTEE REPORT

Summary of meetings since the October 22, 2020 Board Meeting:

November 12, 2020 – Pension Review Project; Act Amendments; Committee Charter

December 10, 2020 - Cancelled

January 14, 2021 – Pension Review Project; Committee Charter; Work Plan

DISCUSSION:

1. Pension Review Project / Act Amendments

- a. Melinda, Vanessa and Sandy presented the Board's Funding Request to the City's Budget Committee on October 27, 2020. The Committee approved the request to be included with the City's legislative 2021 package. The City Council approved the City's legislative package on December 14, 2020. Staff and Counsel has been working collaboratively with the City through the legislative agenda process.
- b. Discussion continued regarding options that the City can review for controlling their plan costs as had been requested by the City. The definition of Compensation was further discussed such as capping pay in some fashion, using base pay, and various other averaging scales. These discussions are on-going with the goal to provide the Board a review of various options with the pro's and con's to then provide to the City.

2. Committee Charter

a. The Committee reviewed its Charter and has made updates for the Board's consideration for clarification and consistency including updates to the Committee's Role (section 3), Authority and Responsibilities (section 5), and Committee Meetings (Section 6). A Definitions Section has been added.

MOTION: To adopt the Benefits Committee Charter as presented



BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JANUARY 28, 2021

3. Committee's Work Plan

a. The Committee reviewed a list of work items that included the topics just mentioned as well as policies. Discussion ensued regarding what policies should be drafted and which ones need to be reviewed periodically.

Benefits Committee 2021 Work Pla	an (draft)									
		1st Quarter 2021		2	2nd	3rd		4th		
Funding	Assigned to			L	Qu	arter	Quarter		Quarter	
Monitor Legislation Progress	Counsel, Staff									
Review Benefit Plan Options for City										
Compensation Definition	Committee									
Final Average Salary Period	Committee									
New Entrants in LGERS	Committee									
Education										
MySuccess Learning Modules										
CFRS Overview	Staff,Counsel, Lee, Ryan									
Benefit Calcualtion	Staff,Counsel, Lee, Ryan									
Governance										
Committee Charter Review	Committee									
Policies										
Bonus & COLAs (New)	Committee									
Business Continuity (New)	Staff									
Citizen Trustee Searches (New)	Staff									
Communications (New)	Joey/Ryan/Staff									
Ethics Policy (Periodic Review)	Committee									
Funding (New)	Melinda, Renee, Staff									
Meetings (New)	Committee									
Travel (Periodic Review)	Committee									
Professional Services										
Medical Board Contract	Counsel, Staff									
Hired Legal Counsel (Review)	Committee									
Actuarial Service Provider (Review)	Committee									

All Board members are welcome to attend any of the Benefit Committee meetings.

BOARD OF TRUSTEES

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

BENEFITS COMMITTEE CHARTER RESOLUTION

May 11, 2017 Adopted January 2010

BENEFITS COMMITTEE CHARTER RESOLUTION

WHEREAS, the Charlotte Firefighters' Retirement System ("System") established pursuant to the provisions of Chapter 926 of North Carolina's 1947 Session Laws, as amended (the "Act"), provides retirement, disability and survivor benefits for the uniformed employees of the Charlotte Fire Department who are subject to the provisions of the Civil Service Act contained in Chapter 333 of the 1969 Sessions Laws as amended, including the Chief of the fire department where the Chief was subject to the provisions of the Civil Service Act immediately prior to being appointed Fire Chieftwas created by a special act ("Act") of the North Carolina General Assembly and is defined as Chapter 926 of the 1947 Session Laws, as amended; and

WHEREAS, Section 27 of the Act vests the general administration, management and responsibility for the proper operation of the System with the Board of Trustees (Board); and

<u>WHEREASTitle VI</u>, Section 37 of the Act <u>requires provides</u> that the Chairman of the Board-of <u>Trustees shall</u> appoint a Benefits Committee; <u>and</u>

WHEREAS, <u>Title VI</u>, Section 41 of the Act <u>authorizes empowers</u> the Board of <u>Trustees</u> to adopt rules and regulations for the administration of the System consistent with the provisions of the Act; and

WHEREAS, <u>Title VI</u>, Section 36 of the Act <u>authorizesempowers</u> the Board to use the services of various professionals <u>deemed necessary</u> to assist with the proper operation of the System; <u>and</u>

WHEREAS, the Board wishes to give authority and responsibility for certain duties to the Benefits Committee, a standing committee of the Board.

NOW THEREFORE, BE IT RESOLVED, the Board hereby adopts the following Benefits

Committee Charter to set forth the organizational structure and guidelines the Benefits

Committee will follow to fulfill its responsibilities, which may be amended from time to time by formal action of the Board: which may be amended from time to time by formal action of the Board:

THIS THE DAY OF 20210

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CHARTER OF THE BENEFITS COMMITTEE CHARTER

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

Adopted by the Board of Trustees on 1/28/2021

The purpose of this Charter is to outline the role, composition, duties, and authority of the InvestmentBenefits Committee, heretofore established as a standing committee of the Board of Trustees of the Charlotte Firefighters' Retirement System.

1. PURPOSE

The Benefits Committee ("Committee") is established by the Act as a standing committee of the Board of Trustees ("Board") of the Charlotte Firefighters' Retirement System ("System"). The purpose of this Benefits Committee Charter ("Charter") is to outline the role, composition, duties, and authority of the Committee in conducting benefits-related affairs of the System.

2. **DEFINITIONS**

The following terms as used in this Charter shall have the indicated meaning:

- a) "Act" means the Charlotte Firefighters' Retirement System Act established pursuant to Chapter 926 of the 1947 Session Laws of North Carolina, as amended.
- b) "Board" means the Board of Trustees of the Charlotte Firefighters' Retirement System.
- c) "Committee" means the Benefits Committee.
- d) "Funding Policy" means a document which describes the Funding Objectives, the

 Measurements of Funding Progress, and the Methods and Assumptions used to
 determine those measurements, as amended and adopted by the Board.
- e) "System" means the Charlotte Firefighters' Retirement System.

3. COMMITTEE'S ROLE COMMITTEE'S ROLE

- (a) The Committee shall assist the Board in discharging its fiduciary responsibility for the review of the benefit structure, <u>funding policy and related assumptions</u>, administrative procedures and various professional services provided to the System such as actuarial, medical and legal services.
- (b) The Committee is charged to oversee and review such services and others as may be necessary from time to time for the exclusive purpose of providing benefits to members, retirees and beneficiaries, and to administer the System in an efficient, consistent and fair manner.
- (c) Committee The members of the Committee, as trustees and are fiduciaries, shall:

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- (i) discharge their duties solely in the interest of the Members, Retirees and Beneficiaries, and
- (ii) of the System's assets with respect to all duties assigned to them, and shall discharge their duties act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

4. CCOMMITTEE MEMBERSHIP

- (a) The Committee shall consist of five trustees appointed by the Chairperson of the Board ("Chairperson").
- (b) The Committee shall elect a Committee Chairperson from among its members. At any time, a majority of the members of the Committee could petition the Board Chairperson for a vote to elect a Chairperson.

The members of the Committee are fiduciaries of the System's assets with respect to all duties assigned to them, and shall discharge their duties with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use.

5. <u>AUTHORITY && RESPONSIBILITY RESPONSIBILITY DUTIES</u>

The Committee shall have the following principal duties:

- a) Formulate and propose for approval by the Board policies, rules and regulations for the administration of the System and transaction of its business for approval by the Board.
- b) Regularly review the provisions of the Act and make recommendations to the Board for revisions as necessary or appropriate.
- c) Evaluate the performance of professional advisors for services such as actuarial, medical, legal and other related services; and recommend engagement of such professionals as needed for the operation of the System or as required by the Act.
- <u>d</u>) Establish policies regarding elections, service purchases, <u>COLAs and Bonuses</u>, and related System activities.
- e) Establish a "Funding Policy".
- d)f) Recommend strategies as may be required to respond to an over or under funding condition or threats to the System's financial soundness be they actual or anticipated.
- eyg) Receive reports from the Administrator on statutory changes related to taxes and exemption programs for which participants of the System may be eligible.

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- Ah)Periodically review and assess the adequacy of this Charter and the performance of the Committee.
- <u>e)i)</u> Attend to such other matters as the Board may from time to time determine.

COMMITTEE MEETINGS

- (a) Committee meetings shall conform with North Carolina's Open Meetings laws, -G.S. 143-318.9, et seq., as amended.
- (b) The Committee shall generally meet once a month and may convene more or less often as necessary. Meetings shall conform with the "Open Meetings Law," Article 33C of Chapter 143 of the Ceneral Statutes, C.S. 143 318.9 C.S. 143 318.18, as amended.
- (c) Committee members may attend Committee -meetings of the Committee in person or by means of a conference telephone or similar communications device allowing all persons participating in the meeting to hear each other at the same time, to the extent permitted by law.
- (d) The Committee Cehairperson (or the Cehairperson's designee in the event of his or her absence) shall preside at all Committee meetings of the Committee.
- (e) A majority of the Committee shall constitute a quorum for the transaction of business at any Committee meeting thereof. The Committee Chair shall only vote in case of a tie or in such case as to create a quorum. If there are only 3 members present at a meeting and a motion for recommendation to the Board is split, the motion would be directed to the Board for the full Board's decision
- (f) The Committee Cehairperson, in consultation with the System Administrator, shall set the agenda for each Committee meeting of the Committee. Meeting agendas and supplementary material shall be distributed to Committee members in advance of Committee the meetings. System Staff shall supply Committee members with information related to the items contained in the agenda prior to the meeting. The System Administrator shall attend and participate in Committee meetings at the pleasure of the Committee.
- (g) The Committee shall keep minutes of its meetingsproceedings and shall provide regular reports on its activities and recommendations to the Board.

7. OVERSIGHT OVERSIGHT & REPORTING REPORTING

The Board shall maintain direction and oversight of the Committee's activities by reviewing regular reports of the Committee's activities at Board meetings of the Board. Any action(s) taken, not taken or deferred by the Committee shall be reported to the Board at the next Board meeting of the Board following such action(s).

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† Chapter 926 of the 1947 Session Laws, North Carolina General Assembly, as amended.

Amended 01/2021

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BOARD OF TRUSTEES CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM BENEFITS COMMITTEE CHARTER RESOLUTION

Adopted January 2010

WHEREAS, the Charlotte Firefighters' Retirement System ("System") established pursuant to the provisions of Chapter 926 of North Carolina's 1947 Session Laws, as amended (the "Act"), provides retirement, disability and survivor benefits for the uniformed employees of the Charlotte Fire Department who are subject to the provisions of the Civil Service Act contained in Chapter 333 of the 1969 Sessions Laws as amended, including the Chief of the fire department where the Chief was subject to the provisions of the Civil Service Act immediately prior to being appointed Fire Chief; and

WHEREAS, Section 27 of the Act vests the general administration, management and responsibility for the proper operation of the System with the Board of Trustees (Board); and

WHEREAS, Section 37 of the Act requires that the Chairman of the Board appoint a Benefits Committee; and

WHEREAS, Section 41 of the Act authorizes the Board to adopt rules and regulations for the administration of the System consistent with the provisions of the Act; and

WHEREAS, Section 36 of the Act authorizes the Board to use the services of various professionals deemed necessary to assist with the proper operation of the System; and

WHEREAS, the Board wishes to give authority and responsibility for certain duties to the Benefits Committee, a standing committee of the Board.

NOW THEREFORE, BE IT RESOLVED, the Board hereby adopts the following Benefits Committee Charter to set forth the organizational structure and guidelines the Benefits Committee will follow to fulfill its responsibilities which may be amended from time to time by formal action of the Board:

THIS THE I	DAY OF		2021
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CHARTER OF THE BENEFITS COMMITTEE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

Adopted by the Board of Trustees on 1/28/2021

The purpose of this Charter is to outline the role, composition, duties, and authority of the Benefits Committee, heretofore established as a standing committee of the Board of Trustees of the Charlotte Firefighters' Retirement System.

1. Purpose

The Benefits Committee ("Committee") is established by the Act† as a standing committee of the Board of Trustees ("Board") of the Charlotte Firefighters' Retirement System ("System"). The purpose of this Benefits Committee Charter ("Charter") is to outline the role, composition, duties, and authority of the Committee in conducting benefits-related affairs of the System.

2. DEFINITIONS

The following terms as used in this Charter shall have the indicated meaning:

- a) "Act" means the Charlotte Firefighters' Retirement System Act established pursuant to Chapter 926 of the 1947 Session Laws of North Carolina, as amended.
- b) "Board" means the Board of Trustees of the Charlotte Firefighters' Retirement System.
- c) "Committee" means the Benefits Committee.
- d) "Funding Policy" means a document which describes the Funding Objectives, the Measurements of Funding Progress, and the Methods and Assumptions used to determine those measurements, as amended and adopted by the Board.
- e) "System" means the Charlotte Firefighters' Retirement System.

3. COMMITTEE'S ROLE

- (a) The Committee shall assist the Board in discharging its fiduciary responsibility for the review of the benefit structure, funding policy and related assumptions, administrative procedures and various professional services provided to the System such as actuarial, medical and legal services.
- (b) The Committee is charged to oversee and review such services and others as may be necessary from time to time for the exclusive purpose of providing benefits to members, retirees and beneficiaries, and to administer the System in an efficient, consistent and fair manner.
- (c) Committee members, as trustees and fiduciaries, shall:

- (i) discharge their duties solely in the interest of the Members, Retirees and Beneficiaries, and
- (ii) act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

4. COMMITTEE MEMBERSHIP

- (a) The Committee shall consist of five trustees appointed by the Chairperson of the Board ("Chairperson").
- (b) The Committee shall elect a Committee Chair from among its members. At any time, a majority of the members of the Committee could petition the Board Chairperson for a vote to elect a Chair.

5. AUTHORITY & RESPONSIBILITY

The Committee shall have the following principal duties:

- a) Formulate and propose policies, rules and regulations for the administration of the System and transaction of its business for approval by the Board.
- b) Regularly review the provisions of the Act and make recommendations to the Board for revisions as necessary or appropriate.
- c) Evaluate the performance of professional advisors for services such as actuarial, medical, legal and other related services; review the fees for these services; and recommend engagement of such professionals as needed for the operation of the System or as required by the Act.
- d) Establish policies regarding elections, service purchases, COLAs and Bonuses, and related System activities.
- e) Establish a "Funding Policy".
- f) Recommend strategies as may be required to respond to an over or under funding condition or threats to the System's financial soundness be they actual or anticipated.
- g) Receive reports from the Administrator on statutory changes related to taxes and exemption programs for which participants of the System may be eligible.
- h) Periodically review and assess the adequacy of this Charter and the performance of the Committee.
- i) Attend to such other matters as the Board may from time to time determine.

6. COMMITTEE MEETINGS

(a) Committee meetings shall conform with North Carolina's Open Meetings laws, G.S. 143-318.9, et seq., as amended.

- (b) The Committee shall generally meet once a month and may convene more or less often as necessary.
- (c) Committee members may attend Committee meetings in person or by means of a conference telephone or similar communications device allowing all persons participating in the meeting to hear each other at the same time, to the extent permitted by law.
- (d) The Committee Chair (or the Chair's designee in the event of his or her absence) shall preside at all Committee meetings.
- (e) A majority of the Committee shall constitute a quorum for the transaction of business at any Committee meeting. The Committee Chair shall only vote in case of a tie or in such case as to create a quorum.
- (f) The Committee Chair, in consultation with the System Administrator, shall set the agenda for each Committee meeting. Meeting agendas and supplementary material shall be distributed to Committee members in advance of Committee meetings. Staff shall supply Committee members with information related to the items contained in the agenda prior to the meeting. The System Administrator shall attend and participate in Committee meetings at the pleasure of the Committee.
- (g) The Committee shall keep minutes of its meetings and shall provide regular reports on its activities and recommendations to the Board.

7. Oversight & Reporting

The Board shall maintain direction and oversight of the Committee's activities by reviewing regular reports of the Committee's activities at Board meetings. Any action(s) taken, not taken or deferred by the Committee shall be reported to the Board at the next Board meeting following such action(s).

Amended 01/2021

[†] Chapter 926 of the 1947 Session Laws, North Carolina General Assembly, as amended.

BOARD OF TRUSTEES

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

BENEFITS COMMITTEE CHARTER RESOLUTION

May 11, 2017 Adopted January 2010

BENEFITS COMMITTEE CHARTER RESOLUTION

WHEREAS, the Charlotte Firefighters' Retirement System ("System") established pursuant to the provisions of Chapter 926 of North Carolina's 1947 Session Laws, as amended (the "Act"), provides retirement, disability and survivor benefits for the uniformed employees of the Charlotte Fire Department who are subject to the provisions of the Civil Service Act contained in Chapter 333 of the 1969 Sessions Laws as amended, including the Chief of the fire department where the Chief was subject to the provisions of the Civil Service Act immediately prior to being appointed Fire Chieftwas created by a special act ("Act") of the North Carolina General Assembly and is defined as Chapter 926 of the 1947 Session Laws, as amended; and

WHEREAS, Section 27 of the Act vests the general administration, management and responsibility for the proper operation of the System with the Board of Trustees (Board); and

<u>WHEREASTitle VI</u>, Section 37 of the Act <u>requires provides</u> that the Chairman of the Board-of <u>Trustees shall</u> appoint a Benefits Committee; <u>and</u>

WHEREAS, <u>Title VI</u>, Section 41 of the Act <u>authorizes empowers</u> the Board of <u>Trustees</u> to adopt rules and regulations for the administration of the System consistent with the provisions of the Act; and

WHEREAS, <u>Title VI</u>, Section 36 of the Act <u>authorizesempowers</u> the Board to use the services of various professionals <u>deemed necessary</u> to assist with the proper operation of the System; <u>and</u>

WHEREAS, the Board wishes to give authority and responsibility for certain duties to the Benefits Committee, a standing committee of the Board.

NOW THEREFORE, BE IT RESOLVED, the Board hereby adopts the following Benefits

Committee Charter to set forth the organizational structure and guidelines the Benefits

Committee will follow to fulfill its responsibilities, which may be amended from time to time by formal action of the Board: which may be amended from time to time by formal action of the Board:

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CHARTER OF THE BENEFITS COMMITTEE CHARTER

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

Adopted by the Board of Trustees on 1/28/2021

The purpose of this Charter is to outline the role, composition, duties, and authority of the InvestmentBenefits Committee, heretofore established as a standing committee of the Board of Trustees of the Charlotte Firefighters' Retirement System.

1. PURPOSE

The Benefits Committee ("Committee") is established by the Act as a standing committee of the Board of Trustees ("Board") of the Charlotte Firefighters' Retirement System ("System"). The purpose of this Benefits Committee Charter ("Charter") is to outline the role, composition, duties, and authority of the Committee in conducting benefits-related affairs of the System.

2. **DEFINITIONS**

The following terms as used in this Charter shall have the indicated meaning:

- a) "Act" means the Charlotte Firefighters' Retirement System Act established pursuant to Chapter 926 of the 1947 Session Laws of North Carolina, as amended.
- b) "Board" means the Board of Trustees of the Charlotte Firefighters' Retirement System.
- c) "Committee" means the Benefits Committee.
- d) "Funding Policy" means a document which describes the Funding Objectives, the

 Measurements of Funding Progress, and the Methods and Assumptions used to
 determine those measurements, as amended and adopted by the Board.
- e) "System" means the Charlotte Firefighters' Retirement System.

3. COMMITTEE'S ROLE COMMITTEE'S ROLE

- (a) The Committee shall assist the Board in discharging its fiduciary responsibility for the review of the benefit structure, <u>funding policy and related assumptions</u>, administrative procedures and various professional services provided to the System such as actuarial, medical and legal services.
- (b) The Committee is charged to oversee and review such services and others as may be necessary from time to time for the exclusive purpose of providing benefits to members, retirees and beneficiaries, and to administer the System in an efficient, consistent and fair manner.
- (c) Committee The members of the Committee, as trustees and are fiduciaries, shall:

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- (i) discharge their duties solely in the interest of the Members, Retirees and Beneficiaries, and
- (ii) of the System's assets with respect to all duties assigned to them, and shall discharge their duties act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

4. CCOMMITTEE MEMBERSHIP

- (a) The Committee shall consist of five trustees appointed by the Chairperson of the Board ("Chairperson").
- (b) The Committee shall elect a Committee Chairperson from among its members. At any time, a majority of the members of the Committee could petition the Board Chairperson for a vote to elect a Chairperson.

The members of the Committee are fiduciaries of the System's assets with respect to all duties assigned to them, and shall discharge their duties with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use.

5. <u>AUTHORITY && RESPONSIBILITY RESPONSIBILITY DUTIES</u>

The Committee shall have the following principal duties:

- a) Formulate and propose for approval by the Board policies, rules and regulations for the administration of the System and transaction of its business for approval by the Board.
- Regularly review the provisions of the Act and make recommendations to the Board for revisions as necessary or appropriate.
- c) Evaluate the performance of professional advisors for services such as actuarial, medical, legal and other related services; and recommend engagement of such professionals as needed for the operation of the System or as required by the Act.
- <u>d</u>) Establish policies regarding elections, service purchases, <u>COLAs and Bonuses</u>, and related System activities.
- e) Establish a "Funding Policy".
- d)f) Recommend strategies as may be required to respond to an over or under funding condition or threats to the System's financial soundness be they actual or anticipated.
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- Ah)Periodically review and assess the adequacy of this Charter and the performance of the Committee.
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COMMITTEE MEETINGS

- (a) Committee meetings shall conform with North Carolina's Open Meetings laws, -G.S. 143-318.9, et seq., as amended.
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† Chapter 926 of the 1947 Session Laws, North Carolina General Assembly, as amended.

Amended 01/2021

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BOARD OF TRUSTEES CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM BENEFITS COMMITTEE CHARTER RESOLUTION

Adopted January 2010

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WHEREAS, Section 27 of the Act vests the general administration, management and responsibility for the proper operation of the System with the Board of Trustees (Board); and

WHEREAS, Section 37 of the Act requires that the Chairman of the Board appoint a Benefits Committee; and

WHEREAS, Section 41 of the Act authorizes the Board to adopt rules and regulations for the administration of the System consistent with the provisions of the Act; and

WHEREAS, Section 36 of the Act authorizes the Board to use the services of various professionals deemed necessary to assist with the proper operation of the System; and

WHEREAS, the Board wishes to give authority and responsibility for certain duties to the Benefits Committee, a standing committee of the Board.

NOW THEREFORE, BE IT RESOLVED, the Board hereby adopts the following Benefits Committee Charter to set forth the organizational structure and guidelines the Benefits Committee will follow to fulfill its responsibilities which may be amended from time to time by formal action of the Board:

THIS THE	_DAY OF		_2021
----------	---------	--	-------

CHARTER OF THE BENEFITS COMMITTEE CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

Adopted by the Board of Trustees on 1/28/2021

The purpose of this Charter is to outline the role, composition, duties, and authority of the Benefits Committee, heretofore established as a standing committee of the Board of Trustees of the Charlotte Firefighters' Retirement System.

1. Purpose

The Benefits Committee ("Committee") is established by the Act† as a standing committee of the Board of Trustees ("Board") of the Charlotte Firefighters' Retirement System ("System"). The purpose of this Benefits Committee Charter ("Charter") is to outline the role, composition, duties, and authority of the Committee in conducting benefits-related affairs of the System.

2. DEFINITIONS

The following terms as used in this Charter shall have the indicated meaning:

- a) "Act" means the Charlotte Firefighters' Retirement System Act established pursuant to Chapter 926 of the 1947 Session Laws of North Carolina, as amended.
- b) "Board" means the Board of Trustees of the Charlotte Firefighters' Retirement System.
- c) "Committee" means the Benefits Committee.
- d) "Funding Policy" means a document which describes the Funding Objectives, the Measurements of Funding Progress, and the Methods and Assumptions used to determine those measurements, as amended and adopted by the Board.
- e) "System" means the Charlotte Firefighters' Retirement System.

3. COMMITTEE'S ROLE

- (a) The Committee shall assist the Board in discharging its fiduciary responsibility for the review of the benefit structure, funding policy and related assumptions, administrative procedures and various professional services provided to the System such as actuarial, medical and legal services.
- (b) The Committee is charged to oversee and review such services and others as may be necessary from time to time for the exclusive purpose of providing benefits to members, retirees and beneficiaries, and to administer the System in an efficient, consistent and fair manner.
- (c) Committee members, as trustees and fiduciaries, shall:

- (i) discharge their duties solely in the interest of the Members, Retirees and Beneficiaries, and
- (ii) act with the same care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.

4. COMMITTEE MEMBERSHIP

- (a) The Committee shall consist of five trustees appointed by the Chairperson of the Board ("Chairperson").
- (b) The Committee shall elect a Committee Chair from among its members. At any time, a majority of the members of the Committee could petition the Board Chairperson for a vote to elect a Chair.

5. AUTHORITY & RESPONSIBILITY

The Committee shall have the following principal duties:

- a) Formulate and propose policies, rules and regulations for the administration of the System and transaction of its business for approval by the Board.
- b) Regularly review the provisions of the Act and make recommendations to the Board for revisions as necessary or appropriate.
- c) Evaluate the performance of professional advisors for services such as actuarial, medical, legal and other related services; review the fees for these services; and recommend engagement of such professionals as needed for the operation of the System or as required by the Act.
- d) Establish policies regarding elections, service purchases, COLAs and Bonuses, and related System activities.
- e) Establish a "Funding Policy".
- f) Recommend strategies as may be required to respond to an over or under funding condition or threats to the System's financial soundness be they actual or anticipated.
- g) Receive reports from the Administrator on statutory changes related to taxes and exemption programs for which participants of the System may be eligible.
- h) Periodically review and assess the adequacy of this Charter and the performance of the Committee.
- i) Attend to such other matters as the Board may from time to time determine.

6. COMMITTEE MEETINGS

(a) Committee meetings shall conform with North Carolina's Open Meetings laws, G.S. 143-318.9, et seq., as amended.

- (b) The Committee shall generally meet once a month and may convene more or less often as necessary.
- (c) Committee members may attend Committee meetings in person or by means of a conference telephone or similar communications device allowing all persons participating in the meeting to hear each other at the same time, to the extent permitted by law.
- (d) The Committee Chair (or the Chair's designee in the event of his or her absence) shall preside at all Committee meetings.
- (e) A majority of the Committee shall constitute a quorum for the transaction of business at any Committee meeting. The Committee Chair shall only vote in case of a tie or in such case as to create a quorum.
- (f) The Committee Chair, in consultation with the System Administrator, shall set the agenda for each Committee meeting. Meeting agendas and supplementary material shall be distributed to Committee members in advance of Committee meetings. Staff shall supply Committee members with information related to the items contained in the agenda prior to the meeting. The System Administrator shall attend and participate in Committee meetings at the pleasure of the Committee.
- (g) The Committee shall keep minutes of its meetings and shall provide regular reports on its activities and recommendations to the Board.

7. Oversight & Reporting

The Board shall maintain direction and oversight of the Committee's activities by reviewing regular reports of the Committee's activities at Board meetings. Any action(s) taken, not taken or deferred by the Committee shall be reported to the Board at the next Board meeting following such action(s).

Amended 01/2021

[†] Chapter 926 of the 1947 Session Laws, North Carolina General Assembly, as amended.



INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JANUARY 29, 2021

To: The Board of Trustees

FROM: John Carr, Chair Kelly Flannery Joey Hager

Teresa Smith Marvin Wilson

RE: INVESTMENT COMMITTEE REPORT

Summary of meetings with managers and advisors since the October 22, 2020 Board Meeting:

November 19, 2020 – Callan 3Q 2020 Investment Review

January 21, 2021 – MFS Mid Cap Growth

Boston Partners Mid Cap Value

DISCUSSION:

Throughout 2020, the Committee actively received updates from our Investment Managers regarding the Covid-19 impact on our investments, on the capital markets, and their organizations. As we maneuver through this unique and unprecedented period in global history, the System's investment results have benefited from maintaining a focus on our long-term strategic investment plan.

THIRD QUARTER 2020 INVESTMENT PERFORMANCE REVIEW

At the November meeting, Callan provided an Investment Review for 3Q 2020. During this period, positive investment returns added \$29.9M in market value while benefit payments and operating expenses deducted \$4.5M. As a result, the ending Total Fund market value was \$581.4M as of September 30, 2020.

The Total Fund returned 5.36%, gross of fees, over the course of the Third Quarter, which slightly underperformed the Custom Index return of 5.51%, but ranked in the 31st percentile in the Callan Public Fund Sponsor Database. The 5-year return of 8.45% versus the Custom Index return of 8.69% placed the Fund in the 32nd percentile. Since inception (32 years), the Total Fund returned 8.95% outperforming the Custom Index by 62 basis points on an annualized basis and ranked in the 9th percent among all Public Funds in Callan's database.

All asset classes were within their allowed allocation ranges and in-compliance with the Board-adopted Investment Policy Statement. All Investment Managers were reviewed including those on watch.

Housing was a bright spot in the quarter and leisure and hospitality sectors gained back about half of the jobs lost due to pandemic. US stock indices continued to rebound since the 1Q plunge with Growth experiencing positive returns while Value experienced negative returns.

IC_Report_Jan 2021



INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JANUARY 29, 2021

Winslow Capital, MFS, Eagle Asset, and T. Rowe Price reaped double-digit returns. On a year-to-date basis, the most notable managers were Eagle Small Cap Growth at 17.01% beating its benchmark by over 13%, and T. Rowe Price International Small Cap at 18.11% outperforming its benchmark by over 21%.

WATCH LIST UPDATES

Morgan Stanley Emerging Markets Equity has been on the watch list since August 2018 due to performance and staff changes. Although their performance has shown some improvement over the past few quarters, concern remains with performance relative to its peers as well as long-term returns and continued team changes. As part of the due-diligence for a firm on watch for this length of time, Callan will provide the Committee with some peer comparisons for review in 2021.

UBS Real Estate, on watch due to recent team changes and performance concerns, has taken initiatives to improve performance. UBS will remain on watch for continued monitoring.

Barrow Hanley US Fixed Income remains on watch due to change in ownership per the Investment Policy Statement. Although the sale of Barrow Hanley's parent company is not expected to impact CFRS' investments, the Committee has asked Callan to continue to closely monitor for loss of assets under management and/or loss of key investment personnel during the transition of ownership.

AJO Large Cap Value was terminated as a result of the firm's announcement that they would be closing the firm by December 31, 2020.

CALLAN WORK PLAN

Callan also reviewed a draft of their strategic work plan for 2021. The deliverables throughout the year include a US Equity Structure Review; an Emerging Market Equity peer manager review; an annual Fee Review; and an Asset Liability Study. All of these projects are included in the annual retainer consulting fee, so there will be no additional costs to the System.

UBS LOYALTY FEE PROGRAM

The Committee also discussed the proposed UBS Loyalty Fee program with Callan. The Committee decided to accept the four-year incentive fee discount of 25% which creates an approximate savings of \$61,000 per year. No penalty for withdrawal would be incurred.

MID CAP EQUITY MANAGER REPORTS

MFS MID CAP GROWTH

MFS was hired November 2019 and has completed their first year managing assets for the System. Three of the four quarters exceeded the benchmark with the Since Inception return

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INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JANUARY 29, 2021

exceeding the benchmark by 152 basis points, net of fees. During the onset of the Covid-19 pandemic, they took advantage of opportunities to purchase stocks that would better position the portfolio. Their goal is to outperform the Russell Midcap Growth Index over full market cycles and the current results are off to a good start.

BOSTON PARTNERS MID CAP VALUE

Boston Partners has managed assets for the System since May 1998. They have outperformed, net of fees, over all time periods except for the 5-year period which slightly lagged. The portfolio has proven successful in both "up" and "down" markets while preserving capital and compounded returns which has generated favorable long-term performance.

The Investment Committee will continue to monitor the performance of the System's investments, associated managers, and investment consultant. The Investment Committee will report any recommendations regarding managers, the investment consultant, or changes in asset allocation. Specific investment information is available to all Board members in the form of the comprehensive Callan Quarterly Investment Performance Review. All Board members are welcome to attend any Investment Committee meetings.

IC_Report_Jan 2021

SCHEDULE OF PORTFOLIO ALLOCATION

AS OF December 31, 2020

				Re	porting as of 01/13/20	021					
					TARGETED	MARKET	MARKET VALUE of		AUTHORIZED	ADJUSTED	
TARGET		INCEPTION	Liquidation	CFRS	ALLOCATION	VALUE AS OF	INVESTMENTS AS %		ALLOCATION	COST AS OF	MKT/COST
ALLOCATION	MANAGER	DATE	Notice	MEETING	AS OF 12/31/2020	12/31/2020	OF TOTAL PORTFOLIO	VARIANCE	RANGE	12/31/2020	VARIANCE
		•									
DOMESTIC STOCK:											
									Funds to		
7.2%	ARONSON + JOHNSON + ORTIZ (LARGE CAP VALUE)	11/2005	T+3 Sweep	July	46,192,888	-	0.000%	(46,192,888)	Russell 1000	0	0
	WINSLOW (LARGE CAP GROWTH)	12/2007	T+3 Sweep	July	46,192,888	49.659.068	7.790%	3.466.180		26,295,425	23.363.643
	MFS INVESTMENT MANAGEMENT (MID CAP GROWTH)	11/2019	T+4 Sweep	Jan	23,096,444	30,039,915	4.712%	6,943,471		19,900,145	10,139,770
	ROBECO INVESTMENT MGMT., INC. (MID CAP VALUE)	04/1998	T+3 Sweep	Jan	23,096,444	23,469,542	3.681%	373,098		18,847,267	4,622,275
	EAGLE ASSET MANAGEMENT (SMALL CAP GROWTH)	09/2010	T+3 Sweep	March	23,096,444	32,041,109	5.026%	8,944,665		18,857,619	13,183,490
	INV COUNSELORS OF MARYLAND (Small Cap Value)	12/1993	T+1 Wire	March	23,096,444	22,715,166	3.563%	(381,278)		21,285,752	1,429,414
0.070	inv occinctions of white the contain out value,	12/1000	111 1110	Maron	20,000,444	22,710,100	0.00070	(001,270)	Includes AJO	21,200,702	1,420,414
7.2%	SSgA RUSSELL 1000 INDEX	11/2015	T2	June	46,192,888	92,750,081	14.549%	46,557,193	funds	60,841,822	31,908,259
1.270	009,***********************************	,20.0		00.10	10,102,000	02,100,001	1 110 10 70	10,001,100	141145	00,011,022	01,000,200
36.0%	SUBTOTAL				230,964,441	250,674,881	39.321%	19,710,440	31% - 41%	166,028,030	84,646,851
					,	, , , , , , , , , , , , , , , , , , , ,		., .,		, ,	
INTERNATIONAL EQ	UITIES:								İ		
	MORGAN STANLEY (CORE)	09/1990	T+1 Wire	April	55,174,839	55,547,719	8.713%	372,880	İ	2,927,368	52,620,351
	MORGAN STANLEY (EMERGING MARKETS)	02/1995	T+1 Wire	April	30,795,259	31,861,882	4.998%	1,066,624		15,415,064	16,446,818
	T ROWE PRICE INTL (SMALL CAP)	10/1990	T+1 Wire	April	25,662,716	34,495,693	5.411%	8,832,978		16,499,044	17,996,649
	SSgA EAFE INDEX	11/2015	T2 Notification	June	55,174,839	55,255,462	8.668%	80,624		37,721,358	17,534,104
0.076	SSYA EAFE INDEX	11/2015	12 Notification	Julie	55,174,659	55,255,462	8.008%	00,024		31,121,330	17,554,104
26.0%	SUBTOTAL				166,807,652	177,160,756	27.790%	10,353,105	22% - 30%	72,562,834	104,597,923
20.0%	SUBTUTAL				100,007,032	177,160,736	27.790%	10,353,105	22% - 30%	12,502,034	104,597,925
REAL ESTATE:											
REAL ESTATE:			4 . 5 .								
			1st Business								
6.0%	UBS TRUMBULL PROPERTY FUND	10/2012	Day of Quarter	Oct	38,494,073	27,841,003	4.367%	(10,653,071)		24,029,591	3,811,412
			Quarterly, 45								
4.0%	JPMORGAN CHASE STRATEGIC PROPERTY FUND	04/2016	Day notice	Oct	25,662,716	21,169,855	3.321%	(4,492,861)		19,661,301	1,508,553
10.0%	SUBTOTAL				64,156,789	49,010,857	7.688%	(15,145,932)	7% - 13%	43,690,892	5,319,965
DOMESTIC FIXED IN											
	BARROW HANLEY (CORE PLUS)	04/2003	T+3 Sweep	June	110,670,461	99,983,167	15.684%	(10,687,294)		91,701,510	8,281,657
5.8%	SSGA BARCLAYS CAPITAL AGGREGATE (INDEX FUND)	12/1999	T2	June	36,890,154	32,057,377	5.029%	(4,832,777)		15,470,282	16,587,095
23.0%	SUBTOTAL				147,560,615	132,040,544	20.712%	(15,520,071)	19% - 27%	107,171,792	24,868,752
INTERNATIONAL FIX	ED INCOME:										
			1st of Month								
5.0%	COLCHESTER	02/2017	Openings	Sept	32,078,395	28,614,186	4.488%	(3,464,209)		22,798,325	5,815,861
5.0%	SUBTOTAL				32,078,395	28,614,186	4.488%	(3,464,209)	3% - 7%	22,798,325	5,815,861
INTERNAL ACCOUNT	Т:										
	INTERNAL				0	4,066,666		4,066,666		4,066,666	
									1		
0.0%	SUBTOTAL				0	4,066,666		4,066,666	0.0%-0.0%	4,066,666	
	·								<u> </u>		
						_					
100%	TOTAL ASSETS				\$ 641,567,891	641,567,891	100%	0	1	416,318,538	\$ 225,249,352
	-								İ		
			•				•		•		

Real Estate values are as of the end of a quarter



JANUARY 28, 2021

To: The Board of Trustees

FROM: Sandy Thiry, Administrator

RE: ADMINISTRATION

FINANCIAL STATEMENTS

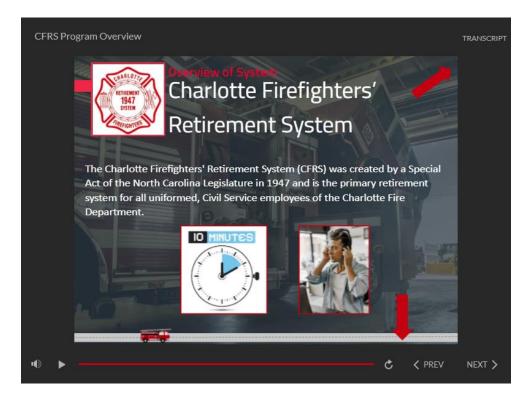
- Estimated Q2 FY2021
- FY2020 Annual Financial Report

OFFICE OPERATIONS

- Limited time in office due to Gov Cooper's COVID 19 restrictions
- All operations continue uninterrupted.
- CNB continues to be locked down from public access.
- Building windows replacement project underway

MEMBER EDUCATION

- Education Series through MySuccess Learning Modules
 - o "CFRS Overview" introduction to the CFRS
 - Drafted, Reviewed by Staff, Active Member Trustees & Legal Counsel
 - Feedback edits provided to City.
 - Reviewing final version
 - Arranging Non-City Trustee access
 - o Next module will be Benefit Calculation.





JANUARY 28, 2021

OUTSIDE LEGAL COUNSEL RESEARCH

- Legal Counsel used in various ways.
 - o Fully Insourced
 - o Fully Outsourced
 - Co-sourced (use internal counsel and use outside counsel for complex issues and non-subject matter expertise)
- Fees vary:
 - o Type of sourcing
 - o Type of Counsel hired- General Counsel, Benefits Counsel, Investment Counsel
 - o Usage

Entity	Utilizes City Attorney	Utilizes Hired Legal Counsel	Hired Legal Counsel	National or Local Legal Firm	NC Offices	ERISA	Gov't Plans	Contracts	Disability Hearings	Attend Bd Mtgs	Litigation	Tax	Contract or Pay as Go	Fee Range	annual fee	Non Expenditure
Charlotte City Attorney's office					Y			Y	Y	Y	Y	N	N/A	\$0	\$0	Lisa's time: avg 15hr/wk @\$350/hr=\$ 273K
								Y (\$8,550	Y (\$350/hr- simple DBL	N (but has provided fiduciary						
CFRS	Y	Y	Parker Poe (for complex issues)		Y	Y	Y	Tegrit & CBIZ contract - 20 hrs)	hearing incurs 16 hrs or approx \$5600)	request	Y (for Disability retirements)		Pay as Go	\$350 - \$575/hr	\$2k- \$78K	

ACTIVE TRUSTEE ELECTION

- Captain Lee Thompson ran unopposed.
- 1102 ballots sent; 189 responded (187 voted, 2 abstained); 17.15% return rate.
- Votes predominately cast within 3 days of initial ballot, then again 3 days within reminder email.
- Will work with vendor to send more reminder emails for future elections.

• RETIREE COMMUNICATIONS

- GoDaddy (domain registrar) flagged account as "spammer" due to number of emails.
- Emails appeared as sent in the queue, however, were blocked with no notice to CFRS.
- New service for emails added Pepipost
 - o Monitored activity at 1000 emails per day till proven not a spammer.
 - o Account just increased to max 3000 emails per day/50k per month.

o FYE2020 ACTIVITIES

- Completed Annual Audit.
- Completed Annual Financial Report due December 31, 2020.

PUBLIC RECORDS REQUESTS

- Investment/Financial Related Requests 8
- Benefits Related Requests 2



JANUARY 28, 2021

RESEARCH ITEMS

- o Conference room acoustics On hold due to COVID-19 and virtual meetings.
- o Costs range from hundreds to thousands of dollars for sound system/amplifier.
- o Who to service one or multiple persons?
- o Concerns with noise disruptions to adjacent offices/firms.
- o Concerns with volume and Closed Session privacy compliance.
- Applicability/use of Robert's Rules
 - o Board has not adopted.
 - o Board subject to NC Open Meetings Statutes

OFFICE STATS

- Security Litigation (see graphics Exhibit A)
- Phone Metrics October 1, 2020 through December 31, 2020 (see graphics Exhibit B)
- Employee Portal Metrics October December (see graphics Exhibit C)
- Retiree Communication (Exhibit D- currently under construction

Exhibit A – Security Litigations

Filings Aug 1, 2018 - De	ec 2020	Market Loss	Recognized Loss	Settlement Fund ⁽¹⁾	% of Loss to Settlement Fund	Gross Recovered	FRT fee 15%	Net Recovered
# of Claims Filed	55	\$291,246	\$495,913	\$6,661,140,366	0.007%			
# of Open Claims Filed	26		\$495,913	\$2,452,712,500	0.020%	\$0	\$0	\$0
# of Claims Paid (2)	6	\$683,403				\$9,198	\$1,380	\$7,819
# of Claims Rejected	23							
Total	55							
# of Antitrust Cases	2			\$386,500,000		\$0	\$0	\$0
Rejection Reaso	n							
No recognized loss	23							
(1) Settlement Fund compi					laintiffs			

JANUARY 28, 2021

Exhibit B – Phone Metrics (Includes Robo calls that are identified at onset and not answered)

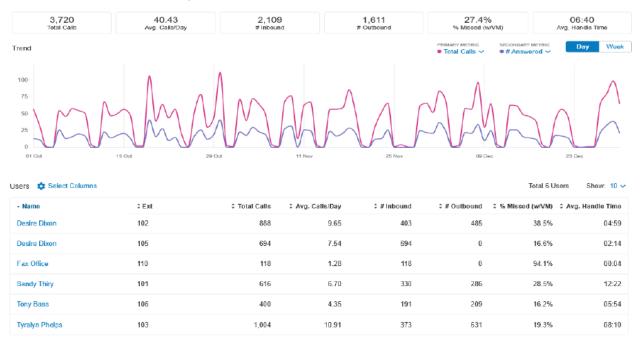


Exhibit C - Employee Portal Metrics (Rolling 12 month as of December 31st)

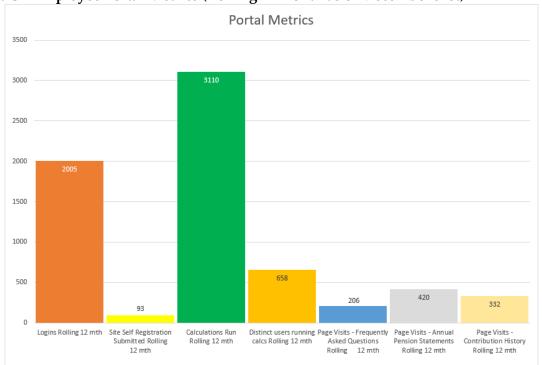


Exhibit D (Under construction)

Charlotte Firefighters' Retirement System Balance Sheet

As of December 31, 2020

	Dec 31, 20
ASSETS	
Current Assets Checking/Savings 10000 · Cash	
10001 · Cash-Bank of America 10004 · Cash & CE- USBank 10013 · Petty Cash	111,669.61 4,066,485.85 500.00
Total 10000 · Cash	4,178,655.46
10011 · Cash Equivalents- USBank Other	3,648,951.31
Total Checking/Savings	7,827,606.77
Other Current Assets 10300 · Other Receivables 12100 · Prepaid assets	508,340.31 19,728.53
Total Other Current Assets	528,068.84
Total Current Assets	8,355,675.61
Fixed Assets 15000 · Capital Assets 15001 · Office Condominium 15002 · Intangible Asset-Pen Admin Sys 15010 · Accumulated Deprec. & Amort.	437,975.42 231,825.00 -402,215.12
Total 15000 · Capital Assets	267,585.30
Total Fixed Assets	267,585.30
Other Assets 18000 · Marketable Securities	618,371,474.73
Total Other Assets	618,371,474.73
TOTAL ASSETS	626,994,735.64
LIABILITIES & EQUITY Liabilities Current Liabilities Accounts Payable 27000 · Accounts Payable 27020 · Refunds 27030 · Investment Fees 27050 · Trust and Bank Fees	78,918.53 8,262.82 30,447.60
27060 · Administrative Fees 27080 · Contracts Payable	412,607.20 24,500.00
Total 27000 · Accounts Payable	554,736.15
Total Accounts Payable	554,736.15
Total Current Liabilities	554,736.15
Total Liabilities	554,736.15
Equity 32000 · Fund Balance Net Income	558,040,203.80 68,399,795.69
Total Equity	626,439,999.49
TOTAL LIABILITIES & EQUITY	626,994,735.64

Charlotte Firefighters' Retirement System Profit & Loss

	Jul - Dec 20
Ordinary Income/Expense Income	
43400 · Contributions	
43410 · Members	5,641,807.43
43440 · Employer	6,260,656.65
43450 · Purchase of Military Time	213,718.97
Total 43400 · Contributions	12,116,183.05
45000 · Investments	
45010 · Interest	1,214,156.85
45020 · Dividends- Trustee	1,642,581.57
45021 · Dividends Other	112.15
45030 · Net Realized Gain/Loss-Trustee	12,817,135.51
45040 · Net Realized Gain/Loss- Mgr GU	67,372.07
45050 · Unrealized Gain/Loss	62,156,473.03
Total 45000 · Investments	77,897,831.18
Total Income	90,014,014.23
Gross Profit	90,014,014.23
Expense	
60900 · Participant Benefits	
60920 · Retirement	19,621,532.40
60940 · Contribution Withdrawals	153,689.93
Total 60900 · Participant Benefits	19,775,222.33
62100 · Investment Services	
62110 · Management Fees	
62111 · Morgan Stanley	313,929.08
62112 · Aronson+Johnson+Ortiz	16,219.00
62114 · Barrow Hanley	123,922.00
62115 · Robeco Investment Mgmt., Inc	26,684.61
62117 · Eagle Asset Management	106,969.92
62119 · Winslow Capital Management	140,295.41
62122 · Inv. Counselors of Maryland	67,372.07
62123 · T. Rowe Price	157,868.84
62125 · UBS Trumbull Property Fund	185,214.75
62127 · SSGA Fixed Income	3,591.90
62128 · SSGA EAFE Index	8,690.65
62129 · SSGA Russell 1000 62130 · JPMorgan Chase	6,605.84 107,384.29
62131 · Colchester	80,943.00
62132 · MFS	72,270.55
Total 62110 · Management Fees	1,417,961.91
62139 · Transaction Fees	221.80
62140 · Trust and Bank Fees	64.006.84
62150 · Consulting Fees	49,000.00
Total 62100 · Investment Services	1,531,190.55
65000 · Administration	
65005 · Staff Wages and Benefits	
65004 · Staff wages	158,562.49
65006 · FICA/Medicare	11,075.38
65007 · Retirement LGERS	16,094.04
65008 · Insurance	29,805.36
65009 · NC 401K	4,756.83
Total 65005 · Staff Wages and Benefits	220,294.10

6:20 PM 01/21/21 Accrual Basis

Charlotte Firefighters' Retirement System Profit & Loss

	Jul - Dec 20
65010 · Travel and Training	456.88
65020 · Insurance	19,437.00
65040 · Auditing Services	13,250.00
65050 · Condominium Fees	12,550.16
65060 · Postage	1,155.11
65070 · Actuarial Services	3,750.00
65090 · Legal Services	1,552.50
65100 · Printing Services	1,658.64
65110 · Other Professional Services	23,796.81
65120 · Telecommunications	1,289.88
65130 · Office Equipment Maintenance	1,023.62
65140 · Office/Computer Supplies	1,804.14
65160 · Meetings	96.40
65170 · Professional Memberships/Dues	4,425.00
65190 · Office Furniture/Equipment	686.40
65200 · Subscriptions and Publications	579.02
Total 65000 · Administration	307,805.66
Total Expense	21,614,218.54
Net Ordinary Income	68,399,795.69
Net Income	68,399,795.69

Charlotte Firefighters' Retirement System Profit & Loss Budget vs. Actual

	Jul - Dec 20	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
43400 · Contributions				
43410 · Members	5,641,807.43	10,516,506.00	-4,874,698.57	53.65%
43440 · Employer	6,260,656.65	11,638,820.00	-5,378,163.35	53.79%
43450 · Purchase of Military Time	213,718.97	200,000.00	13,718.97	106.86%
43460 · Purchase of Other Gov. Service	0.00	200,000.00	-200,000.00	0.0%
Total 43400 · Contributions	12,116,183.05	22,555,326.00	-10,439,142.95	53.72%
45000 · Investments				
45010 · Interest	1,214,156.85	3,027,997.00	-1,813,840.15	40.1%
45020 · Dividends- Trustee	1,642,581.57	4,388,637.00	-2,746,055.43	37.43%
45021 · Dividends Other	112.15	750.00	-637.85	14.95%
45030 · Net Realized Gain/Loss-Trustee	12,817,135.51	37,046,160.00	-24,229,024.49	34.6%
45040 · Net Realized Gain/Loss- Mgr GU	67,372.07	140,000.00	-72,627.93	48.12%
45050 · Unrealized Gain/Loss	62,156,473.03	0.00	62,156,473.03	100.0%
Total 45000 · Investments	77,897,831.18	44,603,544.00	33,294,287.18	174.65%
46400 · Other Types of Income				
46430 · Miscellaneous Revenue	0.00	2,000.00	-2,000.00	0.0%
46450 · Securities Litigation	0.00	0.00	0.00	0.0%
Total 46400 · Other Types of Income	0.00	2,000.00	-2,000.00	0.0%
Total Income	90,014,014.23	67,160,870.00	22,853,144.23	134.03%
Gross Profit	90,014,014.23	67,160,870.00	22,853,144.23	134.03%

Charlotte Firefighters' Retirement System Profit & Loss Budget vs. Actual

	Jul - Dec 20	Budget	\$ Over Budget	% of Budget
xpense				
60900 · Participant Benefits				
60920 · Retirement	19,621,532.40	39,382,391.00	-19,760,858.60	49.82%
60930 · Death	0.00	150,000.00	-150,000.00	0.0%
60940 · Contribution Withdrawals	153,689.93	200,000.00	-46,310.07	76.85%
Total 60900 · Participant Benefits	19,775,222.33	39,732,391.00	-19,957,168.67	49.77%
62100 · Investment Services				
62110 · Management Fees				
62111 · Morgan Stanley	313,929.08	601,515.00	-287,585.92	52.19%
62112 · Aronson+Johnson+Ortiz	16,219.00	57,812.00	-41,593.00	28.06%
62114 · Barrow Hanley	123,922.00	242,551.00	-118,629.00	51.09%
62115 · Robeco Investment Mgmt., Inc	26,684.61	250,685.00	-224,000.39	10.65%
62117 · Eagle Asset Management	106,969.92	147,710.00	-40,740.08	72.42%
62119 · Winslow Capital Management	140,295.41	244,830.00	-104,534.59	57.3%
62122 · Inv. Counselors of Maryland	67,372.07	140,144.00	-72,771.93	48.07%
62123 · T. Rowe Price	157,868.84	245,906.00	-88,037.16	64.2%
62125 · UBS Trumbull Property Fund	185,214.75	256,224.00	-71,009.25	72.29%
62127 · SSGA Fixed Income	3,591.90	7,821.00	-4,229.10	45.93%
62128 · SSGA EAFE Index	8,690.65	25,262.00	-16,571.35	34.4%
62129 · SSGA Russell 1000	6,605.84	14,718.00	-8,112.16	44.88%
62130 · JPMorgan Chase	107,384.29	214,365.00	-106,980.71	50.09%
62131 · Colchester	80,943.00	137,332.00	-56,389.00	58.94%
62132 · MFS	72,270.55	100,572.00	-28,301.45	71.86%
Total 62110 · Management Fees	1,417,961.91	2,687,447.00	-1,269,485.09	52.76%
62139 · Transaction Fees	221.80	500.00	-278.20	44.36%
62140 · Trust and Bank Fees	64,006.84	130,800.00	-66,793.16	48.94%
62150 · Consulting Fees	98,000.00	196,000.00	-98,000.00	50.0%
Total 62100 · Investment Services	1,580,190.55	3,014,747.00	-1,434,556.45	52.42%

Net Income

Charlotte Firefighters' Retirement System Profit & Loss Budget vs. Actual

July	through	December	2020
------	---------	----------	------

	Jul - Dec 20	Budget	\$ Over Budget	% of Budget
65000 · Administration				
65005 · Staff Wages and Benefits				
Total 65005 · Staff Wages and Benefits	220,294.10	425,300.00	-205,005.90	51.8%
65010 · Travel and Training	456.88	20,000.00	-19,543.12	2.28%
65020 · Insurance	19,437.00	23,500.00	-4,063.00	82.71%
65030 · Parking	0.00	1,200.00	-1,200.00	0.0%
65040 · Auditing Services	13,250.00	13,500.00	-250.00	98.15%
65050 · Condominium Fees	12,550.16	22,052.00	-9,501.84	56.91%
65060 · Postage	1,155.11	2,300.00	-1,144.89	50.22%
65070 · Actuarial Services	3,750.00	15,500.00	-11,750.00	24.19%
65080 · Annual Retiree Reunion	0.00	0.00	0.00	0.0%
65090 · Legal Services	1,552.50	50,000.00	-48,447.50	3.11%
65100 · Printing Services	1,658.64	8,050.00	-6,391.36	20.6%
65110 · Other Professional Services	23,796.81	94,410.00	-70,613.19	25.21%
65120 · Telecommunications	1,289.88	4,583.00	-3,293.12	28.15%
65130 · Office Equipment Maintenance	1,023.62	2,500.00	-1,476.38	40.95%
65140 · Office/Computer Supplies	1,804.14	4,000.00	-2,195.86	45.1%
65160 · Meetings	96.40	4,000.00	-3,903.60	2.41%
65170 · Professional Memberships/Dues	4,425.00	4,900.00	-475.00	90.31%
65180 · Medical Services	0.00	5,000.00	-5,000.00	0.0%
65190 · Office Furniture/Equipment	686.40	500.00	186.40	137.28%
65200 · Subscriptions and Publications	579.02	600.00	-20.98	96.5%
65220 · Miscellaneous/Contingency	0.00	1,000.00	-1,000.00	0.0%
65230 · Building Improvements	0.00	250.00	-250.00	0.0%
Total 65000 · Administration	307,805.66	703,145.00	-395,339.34	43.78%
Total Expense	21,663,218.54	43,450,283.00	-21,787,064.46	49.86%
Net Ordinary Income	68,350,795.69	23,710,587.00	44,640,208.69	288.27%
Other Income/Expense				
Other Expense				
80100 · Depreciation & Amortization	0.00	0.00	0.00	0.0%
Total Other Expense	0.00	0.00	0.00	0.0%
Net Other Income	0.00	0.00	0.00	0.0%
et Income	68,350,795.69	23,710,587.00	44,640,208.69	288.27%

Annual Financial Report of the Charlotte Firefighters' Retirement System -A Component Unit of the City of Charlotte, North Carolina



For the Fiscal Year Ended June 30, 2020

Charlotte Firefighters' Retirement System Charlotte, North Carolina

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CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

December 28, 2020

Honorable Mayor and Members of City Council, Charlotte, North Carolina, Members of the Board of Trustees, Charlotte Firefighters' Retirement System, and Participants of the Charlotte Firefighters' Retirement System:

The Financial Annual Financial Report ("Report") of the Charlotte Firefighters' Retirement System ("System"), a Component Unit of the City of Charlotte ("City"), North Carolina, for the fiscal year ended June 30, 2020 is herewith submitted. The Board and the System's staff are responsible for the preparation and presentation of the financial information and all other data contained herein, and believe that the Report is based on accounting principles generally accepted in the United States of America, presents fairly and consistently the System's financial position and results of operations and conforms to the standards of governmental accounting and financial reporting principles as promulgated by the Governmental Accounting Standards Board (GASB).

HISTORY

The System was organized pursuant to Chapter 926 of the 1947 Session Laws, as amended, of the State of North Carolina, and is officially known as the Charlotte Firefighters' Retirement System Act ("Act"). The System was established on the fifth day of April 1947, for the purpose of providing retirement, disability and survivor benefits to the uniformed employees of the Fire Department of the City of Charlotte. The System retains a Letter of Determination from the Internal Revenue Service issued May 2017.

ADMINISTRATION OF THE SYSTEM

The administration and responsibility for the proper operation of the System is vested with the System's Board of Trustees ("Board"), which is comprised by the following Trustees as defined by the Act: (a) a Chairperson who is a Mecklenburg County resident and who is appointed by the Resident Judge of the Superior Court of Mecklenburg County to serve as Chairperson for a three year term; (b) three Citizen Trustees who are Mecklenburg County residents and who are appointed by the Resident Judge of the Superior Court of Mecklenburg County for three year staggered terms; (c) the City Manager, who serves by virtue of his position, or some other City department head or employee as designated by the City Manager; (d) the City Finance Director, who serves by virtue of his position, or a deputy finance director as designated by the Finance Director; (e) the City Treasurer who serves by virtue of his position; (f) three Member Trustees who are elected by the active Members for three year staggered terms; and (g) one Retiree Trustee who is elected by the Retirees for a term of three years.

The current Board members are listed on page 11.

COMMITTEES

The Board operationally functions under a committee structure. An Investment Committee and a Benefits Committee are annually appointed by the Chairperson of the Board to monitor, fact-find, and recommend actions for the Board's consideration. Although not required, the committees have generally been comprised of at least three trustees with one committee member being a Citizen Trustee, another a Member Trustee, and the other an ex-officio (i.e., City official) Trustee. During the past fiscal year, John M. Carr, Citizen Trustee served as Chair of the Investment Committee and Melinda Manning, Citizen Trustee served as Chair of the Benefits Committee. Other committees may be appointed for specific projects at the discretion of the Chairperson.

PROFESSIONAL SERVICES

The Board employs the services of various professionals to aid it in its fiduciary responsibility for the effective and prudent management of the System. These professionals include: (a) a full-time Administrator who is responsible for the supervision of System staff and administration and coordination of all System operations and activities in accordance with the rules and regulations of the Act and the policies and direction of the Board; (b) the City Attorney and their staff serve as the legal advisor to the Board although additional outside legal counsel may be engaged by the Board from time to time for specialized services; (c) a consulting actuary who is engaged by the City of Charlotte to perform such studies and evaluations of the System as may be necessary and/or desirable in connection with the System's administration and funding, including preparation of the Annual Actuarial Valuation to determine the adequacy of the funding of the retirement benefit liabilities accrued by System members); (d) an independent auditor engaged by the Board on an annual basis to determine whether the financial statements present fairly, in all material respects, the financial position of the System and the results of its yearly operations in conformity with generally accepted accounting principles; (e) a Medical Board appointed by the Board to review and evaluate medical evidence and propose recommendations regarding disability retirements; (f) investment management professionals employed to invest the system's assets consistent with the objectives and direction of the Board, and (g) an investment consultant to advise the Board on matters of investment policy and strategy, conduct manager searches and monitor performance of the investment managers.

The Board may engage other professionals with expertise in various fields for specific services as deemed necessary.

FINANCIAL REPORTING

An annual report of the financial and actuarial condition of the System is prepared and submitted to the City Council. The annual report to City Council contains, but is not limited to, the auditor's opinion and statements contained in the auditor's report. The annual actuarial valuation report and the actuary's valuation certification will accompany the annual report. Additionally, a copy of the annual report to City Council is provided to each of the fire stations and fire department administrative offices of the City of Charlotte.

MAJOR INITIATIVES

The Board of Trustees continued collaborative discussions with the City regarding a long-term funding initiative. These discussions resulted in an additional employer contribution of \$1M with a commitment to increase the employer contribution rate from 12.65% to 14% beginning in fiscal year 2021. The long-term funding solutions concentrated on requesting additional funding from the City of Charlotte to reach towards the appropriate contribution levels as determined by the actuaries. A proposal of incremental increases over the next five years will be submitted to the City along with additional Act amendments for clarity and consistency.

During the year, as its primary duty, the Investment Committee spent considerable time reviewing the performance of all existing managers. The Committee met with each manager. As a result of continuing global market and economic volatility in light of the global pandemic, the Committee had in-depth discussions with managers and the investment consultant to review the target asset allocation of the portfolio and to review risk management policies. A new mid-cap growth investment manager, MFS Investment Management, was approved to replace William Blair & Company.

Investments and managers will continue to be closely monitored by the Investment Committee on both a proactive and retrospective basis to assure continued success as well as continued commitment to a well-diversified portfolio and prudent asset allocation. The total portfolio gross of fee investment return for the year ended June 30, 2020 of 3.58% reflected the continuing volatility of the global markets and economic conditions. The last 5 and 10-year gross of fee rates of returns were 6.28% and 9.49% respectively.

Detailed information concerning the System's investments may be found in the *Notes to the Financial Statements* beginning on <u>Page 20</u>.

The Benefits Committee met on a regular basis during the year. The Committee spent a considerable amount of time researching and discussing the methods and assumptions used in the annual actuarial valuation, historical and projected funding requirements, and benefit provisions. The Committee reviewed the Act and is expected to make edit recommendations to the Board early in the next fiscal year, including increased employer contribution levels, military service purchase cost, and various language updates for clarity and consistency.

The effects of the global pandemic related to COVID-19 forced the staff to work from home. The System was poised to transition to remote work and execute their contingency plan. The administration of the System has maintained smooth operations and staff provided uninterrupted services to all members.

A retiree portal supported by the System's custodian bank, USBank, was implemented. The portal provides retirees and beneficiaries in payment status access to their benefit payment information including but not limited to tax withholding elections, 1099-R reporting and banking information.

The Active Member Portal continues to be widely utilized by the active members. The portal provides active members the ability to perform estimates and pension benefit modeling. Once in the site, the member also has access to their annual pension statement, beneficiary information, Plan Benefit Q&A and links to various other resources.

FINANCIAL INFORMATION

The System's internal control structure is designed to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from theft or unauthorized use and to ensure the reliability and adequacy of the accounting records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgment by the Board. Accounting data are maintained in a manner suitable for preparing financial reports in conformity with generally accepted accounting principles and for providing accurate and timely data to the City Council, Board, participants of the System, citizens, and other interested parties.

Budgetary Controls

The North Carolina General Statutes require the adoption of an annual budget for all funds except those for which expenditures are authorized by project ordinance, fiduciary funds, and internal service funds. The System is a fiduciary fund and is therefore exempt from budgetary requirements. However, the Board considers and adopts a budget for each fiscal year of operations and receives a quarterly budget report from the Administrator.

Accounting and Actuarial Systems

The financial reports of the System are prepared in accordance with U.S. generally accepted principles of governmental accounting and reporting promulgated by GASB. The accrual basis of accounting is used to record assets and liabilities, and revenues and expenses. Revenues and expenses are recorded when earned or incurred, regardless of collection or disbursement. Capital assets are recorded at cost and depreciated through charges to expense over the estimated useful lives of the assets.

An annual actuarial valuation is performed by the System's actuary Cavanaugh Macdonald Consulting, LLC. The actuarially calculated contribution rates are developed using the entry age cost method. This cost method attempts to allocate the cost of each member's benefit as a level percent of compensation over the member's projected service from date of hire to date of retirement or exit. The calculated contribution rates include a current or "normal" cost for the year plus an amortization amount to reduce any unfunded accrued liability.

An Experience Study was conducted by Cavanaugh Macdonald during this fiscal year. As a result, the actuary recommended several changes to the assumptions used in determining the costs of the plan. The most significant changes included a change to the amortization methodology, adopting a mortality table specific to public safety workers, and lowering the assumed rate of return on investments.

Revenues and Funding

Revenues essential to the sound funding of the System flow from three sources:

Contributions by Members: A System Member contributes an amount equal to the Member's eligible compensation multiplied by the current contribution rate of 12.65%. Member contributions are made on a tax-deferred basis and record is kept of each member's accumulated contributions. This accumulated amount is used for the Member's benefit if he or she remains in service. If the Member leaves service, he or she may withdraw the amount of his or her accumulated contribution. A Member with five or more years of membership service receives interest on his or her contributions if a refund is requested. A Member may, if he or she has five or more years of membership service, choose to elect a deferred annuity providing lifetime income commencing at age 60.

Contributions by the City of Charlotte: The City of Charlotte contributed an amount equal to the Member's eligible compensation multiplied by the statutory contribution rate of 12.65%. In this fiscal year, the City also made a one-time lump sum payment of \$1M as part of the funding initiative. Any other differences between the aggregate City and Member contributions are due to (a) service purchases made by Members for which the City does not make contributions and (b) City contributions for those Members away on military deployments during which Members are not required to make contributions.

Investment Income: Investment income is the third source of System revenues and must be regarded as both a vital and major contributor to the System's strong funding status. Statutorily, since 1947, the Board has exercised responsibility for investing the System's assets in a prudent and diligent manner.

The reader of this Report should note that year-to-year investment return variation is a function of unrealized gains or losses on securities' valuations and the subsequent realization of gains or losses on the sale of investments and is not necessarily reflective of actual investment cash flow or income.

The primary critical concern of the Board is the System's funding adequacy. High funding levels are directly related to benefit security for participants. It is the responsibility of the Board to make prudent and sound investment decisions in order to increase the assets and thereby the funding level of the System. The Board has a goal of maintaining the funding of the System at or near 100%. Although the statutory contribution rate of 12.65% for the employer and employee has been sufficient for over 20 years, the combined Member

and City contributions along with projected investment returns will not be sufficient in the long-term. The Funding level is also influenced by changes to benefits and economic and demographic assumptions. The resulting funding level as of July 1, 2020 of 76.5%, is down from 82.7% as of July 1, 2019. Major contributing factors to this decline in the funding level were updates to the assumptions used in determining the plan's costs which included lowering the assumed rate of return from 7.5% to 7.25%, updating the mortality tables for public safety workers, increasing the additional service added at retirement due to unused sick time to one year from two-thirds of a year, and changing the amortization methodology to a layered closed period.

A more complete discussion of System funding status may be found in the *Actuarial Report* found on the System's website, www.Charlottefireretire.com\Reports

Expenses

The primary expense of the System relates to the purpose for which it was created, namely, the payment of benefits to retirees and their beneficiaries. Benefit payments and refunds to terminated members were responsible for 98.2% of all deductions from plan assets, which is 0.1% lower than the prior year. Administrative costs and depreciation accounted for 1.8% of deductions from plan assets for fiscal year 2020, compared to 1.72% for the prior year. A more detailed discussion of System expenses may be found in the *Management's Discussion and Analysis* beginning on <u>Page 14</u>.

OTHER INFORMATION

Independent Audit

Pursuant to North Carolina law, the System is required to undergo an annual audit by a certified public accountant. The Board has selected the independent certified public accounting firm of Cherry Bekaert, LLP to provide these services. The auditors' report on the financial statements and required supplementary information begins on *Page 12*.

Acknowledgments

The compilation of this Report is intended to provide complete and reliable information regarding the stewardship for the funds contributed by the members of the System and the City of Charlotte.

Several individuals assisted with the preparation of this report and we wish to acknowledge their efforts and assistance. Tony Bass, Administrative Officer III; City Finance Staff, Betty Mattos, Chief Accountant; Kelly Kay, Accountant III; and Alexandra Gatti, Accountant II all contributed many hours to ensure the accuracy and completeness of this report.

We hope that this year's report will be of interest to you and will be helpful in your understanding, evaluating, and assuring the continued success of the Charlotte Firefighters' Retirement System.

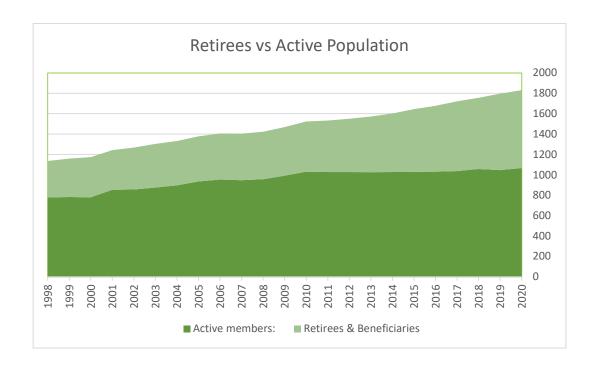
Respectfully Submitted,

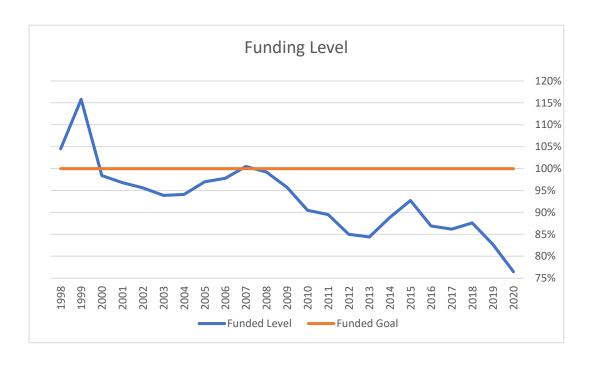
Vanessa Heffron, Chairperson, Board of Trustees

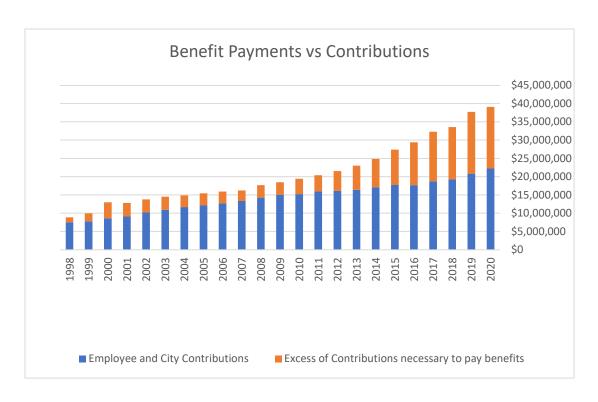
Sandra J. Thiry, Administrator

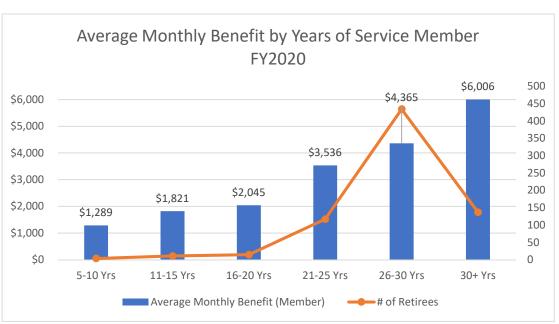
Sandra Hhiry

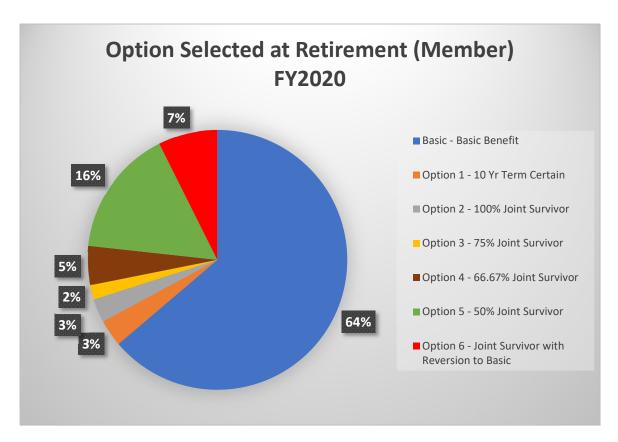
Membership Statistics

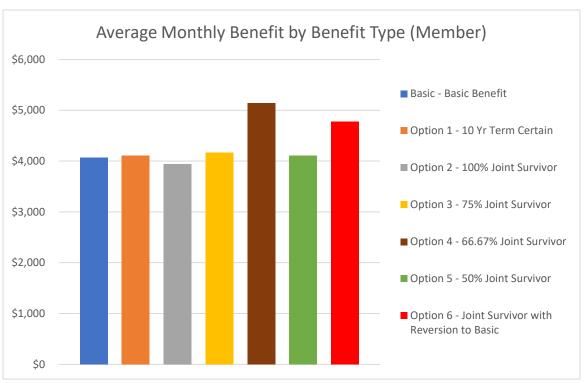












CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM CHARLOTTE, NORTH CAROLINA

BOARD OF TRUSTEES

Vanessa Heffron, Chairman of the Board, Citizen Appointee

John M. Carr, Vice Chairman, Citizen Appointee

Kelly Flannery, Treasurer, Ex-Officio

Ryan S. Pope, Secretary, Elected Member

Sheila Simpson, Ex-Officio

Open, Citizen Appointee

Marvin O. Wilson, Jr., Elected Retiree

Teresa Smith, Ex-Officio

Joseph Hager, Elected Member

Melinda Manning, Citizen Appointee

Lee Thompson, Elected Member

STAFF

Sandra J. Thiry, Administrator

Tony Bass, Financial Analyst

Tyralyn Phelps, Benefits Analyst

Desiré Dixon, Administrative Analyst



Report of Independent Auditor

To the Board of Trustees Charlotte Firefighters' Retirement System Charlotte, North Carolina

Report on Financial Statements

We have audited the accompanying financial statements of the Charlotte Firefighters' Retirement System (the "CFRS"), a component unit of the City of Charlotte, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the CFRS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CFRS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CFRS' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the CFRS as of June 30, 2020, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedules and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the CFRS' basic financial statements. The letter of transmittal, member statistics and board of trustees and staff schedule ("Introductory Schedules") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Introductory Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Charlotte, North Carolina December 18, 2020

Cheny Behart LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents Management's Discussion and Analysis of the Charlotte Firefighters' Retirement System's ("System") financial statements and the significant events, conditions and decisions which affected the operations and performance of the Charlotte Firefighters' Retirement System during the year ended June 30, 2020.

Overview of the Financial Statements and Accompanying Information

- 1) <u>Fund Financial Statements.</u> The System presents Statements of Plan Net Position as of June 30, 2020 and Statements of Changes in Plan Net Position for the year then ended. This statement reflects resources available for payment of benefits as of year-end and the sources and uses of those funds during the year. For purposes of discussion and analysis, the condensed information shown below includes two fiscal years.
- Notes to the Financial Statements. The notes to the financial statements are an integral part of the financial statements and have additional detailed information to provide a better understanding of the financial statements. Information in the notes discloses the System organization, benefits and contributions, how the asset values are determined, contingencies and commitments.
- 3) <u>Required Supplementary Information.</u> The required supplementary information consists of a schedule concerning the funding status of the System, employer contributions and this Management's Discussion and Analysis.

Comparative Statements of Plan Net Position

(in thousands)

	Years ended June 30		
	2020	2019	
Cash and Cash equivalents	\$ 7,916	\$ 6,964	
Investments	549,369	551,288	
Capital assets	268	293	
Other assets	1,264	1,041	
Total assets	558,817	559,586	
Liabilities	(777)	(718)	
Net Position	\$ 558,040	\$ 558,868	

Comparative Statements of Changes in Plan Net Position

(in thousands)

	Years ended June 30		
	2020	2019	
Contributions	\$ 22,220	\$ 20,803	
Net Investment Gain/(Loss)	17,216	22,930	
Total Additions/(Loss)	39,436	43,733	
	(20.442)	(2.7.700)	
Benefits	(38,642)	(35,709)	
Other deductions	(1,622)	(1,048)	
Total Deductions	(40,264)	(36,757)	
Change in Net Position	\$ (828)	\$ 6,976	

Financial Analysis

The Charlotte Firefighters' Retirement System provides retirement benefits to the uniformed firefighters of the City of Charlotte. The System benefits are funded through member and employer contributions and investment income. As reflected in the Statement of Changes in Plan Net Position on *Page 14*, the net position of the System decreased approximately \$828 thousand during the year ended June 30, 2020. These results reflect the extremely volatile Global Market environment.

Funded Ratio

The funded ratio of the plan measures the ratio of actuarially determined assets against actuarial liabilities and is a good indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. The System is required by the Act to perform an annual actuarial valuation. The valuation as of July 1, 2020 showed the funded status of the System decreasing to 76.5% from 82.7% at July 1, 2019. The System valuations use a 5-year smoothed market basis. The System had an unfunded liability of \$179 million for the year ended June 30, 2020 compared to the \$118 million for the year ended June 30, 2019. Liabilities increased due to various reasons including additional benefits for certain retirees but primarily due to the change in the rate of return assumption, updated mortality table and the change to the amortization method. These changes resulted in a decrease in the funded ratio.

Contributions and Income

Additions to Plan Net Position include employer and member contributions and net income from investment activities. Member contributions were approximately \$10.8 and \$10.6 million for the years ended June 30, 2020 and 2019, respectively, an annual increase of \$160,000 for fiscal year 2020 and an increase of \$700,000 for fiscal year 2019. The member rate is 12.65% of eligible compensation, set by statute and made on a tax-deferred basis. The employer rate is set at 12.65% by statute. However, the City has committed to pay 14% of eligible payroll beginning in fiscal year 2021. Employer contributions were approximately \$11.5 million and \$10.2 million for the years ended June 30, 2020 and 2019. The variances between employer and member contributions include a one time \$1M contribution from the City of Charlotte and the remainder may be attributed to significant prior government and military service purchases made by members and contributions not made by members who have been placed on military deployment during the past years.

Net investment gains of approximately \$17 million during fiscal 2020 and \$23 million during fiscal 2019, resulted in returns of 3.58% and 4.61%, respectively as measured by Callan, LLC. The positive returns in investment income in 2020 were largely the result of U.S. Equity and U.S. Fixed Income market performance. The System performed below its composite benchmark on a relative basis by 28 basis points and performed above the Callan Public Fund Sponsor Database median return by 32 basis points. For the 5-year period ended June 30, 2020, the System returns were 6.28% compared to its composite benchmark returns of 6.45% and its actuarial assumed rate of return of 7.5%.

The most significant deduction from investment income is investment manager fees. The System's assets are managed 100% by external investment advisors hired by the Board of Trustees. Many of these managers are paid a fee based on the assets under management. Some of the active managers are paid a base fee plus the possibility of performance incentive. Some of the managers were generally compensated more than in prior years because of the effect of higher asset values

during the year. Investment expenses for the years ended June 30, 2020 and 2019 were both approximately \$2.9 million.

Prudent investment of the System's assets, diligent monitoring of investment advisors and a commitment to periodic allocation rebalancing in addition to conservative administrative costs has enabled the System to achieve a modest funded status. The Board of Trustees is committed to maintaining the System at or near 100% funding and continue to dedicate its efforts to that goal.

Benefits, Refunds and Expenses

The most significant recurring deduction to Plan Net Position is benefit payments. During fiscal 2020, the System paid approximately \$39.5 million, up from \$36.1 million in fiscal 2019, in benefits and refunds. The increased level of payments in fiscal year 2020 was due primarily to the increase in benefits due to additional benefits paid to retirees related to the *Kurzel et al. vs City of Charlotte* lawsuit, new retirements and an active member's death. The System does not provide an automatic Cost of Living Adjustment (COLA). Due to the funding ratio of the System, the Board of Trustees was unable to provide a bonus payment for retirees and beneficiaries receiving benefits as of January 1, 2019.

The administrative costs of the System represented approximately .13% of the ending net position in fiscal year 2020 increased from .11% from fiscal year 2019. The increase in costs were primarily due to the addition of a full-time employee and additional actuarial and legal expenses related to the long-term funding initiative.

Plan Assets

Investments allocated to domestic and international equity portfolios decreased approximately \$6.3 million and \$3.7 million respectively in 2020 and 2019. The System does not invest in alternative classes of investments such as hedge funds, venture capital and private equity. It also does not have a securities lending program at this time. During fiscal years 2020 and 2019, investments allocated to domestic and non-U.S. fixed income increased approximately \$7 million and \$9.8 million, respectively. These results are attributable to investment results and continuing volatility of global bond markets combined with historically low interest rates and global currency issues during this period.

The System values its assets at "fair value" as discussed in accounting policies footnote 2(f) (Page 21) to the financial statements. Fair value is the value the System expects to receive in a current sale between a willing buyer and a willing seller that are equally motivated; that is, other than a forced or liquidation sale. The value of publicly traded securities, stocks and bonds, are determined using the latest quote from national exchanges or pricing services. These prices reflect the securities' pricing at the close of business and can be affected by such factors as liquidity, current events and the size of lots being traded. Real Estate is valued using appraisal values by approved appraisers who meet professional qualifications. The appraisal process involves a significant amount of judgment and estimates. As a result, the ultimate value on the sale of the asset may differ from the appraised value.

Contacting the CFRS Management

This financial report is designed to provide the City Council, participants of the System, citizens, taxpayers and other interested parties with an overview of its operations and financial position and to demonstrate its accountability. Questions concerning this report or requests for additional information should be directed to the Administrator, Charlotte Firefighters' Retirement System, 428 East 4th Street, Suite 205, Charlotte, NC 28202.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF THE CITY OF CHARLOTTE, NORTH CAROLINA STATEMENT OF PLAN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020 (Dollar Amounts in Thousands)

11002101		
Cash and cash equivalents	\$	7,916
Receivables:		
Employer contributions		344
Member contributions		311
Interest and dividends	<u></u>	600
Total receivables		1,255
Prepaid items		9
Investments, at fair value:		
Equity securities - stocks		146,050
Fixed income securities - bonds		120,376
Mutual funds		282,943
Total investments		549,369
Capital assets		670
Less accumulated depreciation		402
Total capital assets, net		268
Total assets		558,817
LIABILITIES:		
Accounts payable		777
NET POSITION RESTRICTED FOR PENSIONS	\$	558,040

The notes to the financial statements are an integral part of this statement.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF THE CITY OF CHARLOTTE, NORTH CAROLINA STATEMENT OF CHANGES IN PLAN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020 (Dollar Amounts in Thousands)

ADDITIONS:	
Contributions:	
Member	\$ 10,770
Employer	 11,450
Total contributions	22,220
Investment income:	
Net appreciation in fair value of investments	13,084
Interest	2,789
Dividends	4,259
	20,132
Less investment expense	 2,916
Net investment income	17,216
Total additions	39,436
DEDUCTIONS:	
Benefits	38,642
Refunds	887
Administration	672
Depreciation	 63
Total deductions	 40,264
Net (decrease) in plan net position	(828)
Net position - beginning	 558,868
Net position - ending	\$ 558,040

The notes to the financial statements are an integral part of this statement.

1. PLAN DESCRIPTION:

The Charlotte Firefighters' Retirement System (the "System"), a single-employer, defined benefit plan, was organized pursuant to the 1947 Session Laws of the State of North Carolina, for the purpose of providing retirement, disability, and death benefits to civil service employees of the Charlotte Fire Department. Membership is mandatory at the date of employment. The System is administered by an eleven member Board of Trustees. The City of Charlotte's ("City") payroll for members covered by the System for the year ended June 30, 2020 was \$83 million.

At June 30, 2020 the System's membership consisted of:

Inactive members or beneficiaries	
currently receiving benefits	765
Inactive members entitled to but not yet	
receiving benefits	16
Active plan members	<u>1,067</u>
Total	<u>1,848</u>

Benefits vest after 5 years of credited service. The requirements for normal service retirement are: (a) any age with 30 years of service credit, (b) age 50 with 25 years of service credit, or (c) age 60 with 5 years of service credit. The normal service retirement monthly benefits are 2.6% of final average salary multiplied by the years of credited service. Salary in the final year includes portions of cashed-in vacation and sick days. Final average salary is the monthly average received by the member during any 2 consecutive years of membership which produces the highest average and is contained within the last 5 years of membership. The minimum monthly benefit is \$902.75. Members less than age 50 may elect early retirement with 25 years of service credit. Early retirement benefits are reduced by 3% for each year the early retirement date precedes age 50.

If an employee ceases employment with less than 5 years of service credit, accumulated employee contributions are refunded to the employee or designated beneficiary. After 5 or more years of service, the employee may elect to receive a refund of the employee's accumulated contributions with interest compounded annually at 4% or receive an accrued benefit at age 60.

Death and disability benefits are also available. Benefit and contribution provisions are established by State law and may be amended only by the North Carolina legislature.

Pursuant to the Act that established the System, the City is required to match the member's contribution. The Act establishes the contribution rate pursuant to the Board of Trustees' recommendation and approval by the Charlotte City Council. The current rate is 12.65%. Administrative costs are funded through contributions and investment earnings.

The contributions made by the City and the members of the System for the year ended June 30, 2020 were as follows:

		Percent of Covered
	In Dollars	<u>Payroll</u>
Contributions made by -		
City	\$11,450	13.87%
Members	_10,770	<u>13.05</u>
Total	<u>\$22,220</u>	<u>26.92</u> %

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation

The System provides services exclusively to the City; therefore, the System is included as a blended component unit and reported as a Fiduciary Pension Trust Fund in the City's basic financial statements.

The financial statements are presented in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 67, <u>Financial Reporting for Pension Plans an amendment of GASB Statement No. 25</u>, which establishes standards of financial reporting for state and local government pension plans administered through trusts that meet certain criteria.

GASB Statement No. 9, <u>Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting</u>, as amended by GASB Statement No. 25, exempts pension plans from presenting a statement of cash flows. As a result, the System has chosen not to present this statement.

b. Basis of Accounting

The financial statements are presented on the accrual basis of accounting. Property is stated at historical cost. Depreciation is computed using the straight-line method over an estimated useful life of 25 years for buildings and 5 years for intangible assets. Contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest and dividend income is reported as earned. The net appreciation in the fair value of investments includes realized gains and losses on investments that were both bought and sold during the year.

c. Cash and Cash Equivalents/Investments

Short-term, highly liquid investments are considered cash equivalents. Short-term refers to investments with an original maturity of three months or less at date of acquisition. Highly liquid investments are those that are readily convertible to known amounts of cash and so near their maturity that the risk of changes in value because of changes in interest rates is insignificant.

The carrying amounts of deposits and investments were \$7,916 and \$549,369 at June 30, 2020.

Deposits

All deposits of the System are made in board-designated official depositories and are insured or collateralized with securities held by the System's agent in the System's name. The System has no formal policy regarding custodial credit risk for deposits. The bank balance at June 30, 2020 was \$188.

Investments

The North Carolina Act ("Act") which established the System requires the Board of Trustees to act with the same care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims. The Act requires the Trustees to design an investment plan to further the purpose of the System by giving consideration to the following: (a) diversification of investments, (b) liquidity and return relative to cash flow needs, and (c) projected return. In accordance with the Act, the Board of Trustees has developed and periodically revises a policy statement of investment goals, objectives, and guidelines, which specifically define vehicles that may be used for the investment of System funds. The System invests in United States government securities, corporate bonds, common stocks, and mutual funds.

The investments and maturities at June 30, 2020 were as follows:

			Investment Maturities (in Years)							
			Les	s than					Me	ore than
Investment Type	Fai	r Value		1	1	- 5	6 -	10		10
U.S. Treasuries	\$	8,815	\$	-	\$	624	\$ 2	2,367	\$	5,824
U.S. Agencies		25,277		-		-		173		25,104
*Corporate Bonds		60,337		682	2	21,350	18	3,507		19,798
Common Stocks	1	46,050		N/A		N/A		N/A		N/A
**Mutual Funds	3	308,890		N/A		N/A		N/A		N/A
Total	\$ 5	49,369	\$	682	\$ 2	1,974	\$ 21	,047	\$	50,726

^{*}Corporate Bonds include \$7,659 high yield bonds reported in U.S. Bonds in the investments measured as NAV in the investment fair value hierarchy table.

^{**}Mutual Funds include \$17,150 investments measured as fair value in the investment fair value hierarchy table.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The following is a summary of the fair value hierarchy of the fair value of investments as of June 30, 2020:

Investment by fair value level	6/3	30/2020	Q Ac	Fair Value surements Using uoted Prices in tive Markets for lentical Assets (Level 1)	Quot	Fair Value asurements Using ed Prices in Active arkets for Similar Assets (Level 2)	Meas	Fair Value surements Using oservable Inputs (Level 3)
U.S. Treasuries	\$	8,815	\$	8,815	\$	-	\$	-
U.S. Agencies		25,277		-		25,277		-
Corporate bonds		52,678		-		52,678		-
Common stocks		146,050		146,050		-		-
Mutual funds		17,150				17,150		
Total investments by fair								
value level	:	249,970	\$	154,865	\$	95,105	\$	

Category	Investments Measured as NAV	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
U.S. equity	\$ 40,726	-	Daily	N/A
International equity	142,620	-	Daily	N/A
U.S. Bonds	39,290	-	Daily	N/A
International bonds	25,947	-	1st of Month Openings	N/A
Fixed income	21,502	-	Quarterly	45 Days
International fixed income	29,314		Quarterly - 1st day of Qtr	N/A
	299,399	\$ -	_	
Total investments	\$ 549,369		=	

Investments classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets. Level 2 debt securities are valued using a matrix pricing technique and fund of funds are valued using net asset values. Matrix pricing is used to value securities based on the securities benchmark quoted prices.

Interest Rate Risk. The System does not have a formal investment policy that limits investment maturities.

Credit Risk. The System is authorized to invest in bonds with a quality rating of no less than investment grade and unrated U.S. Treasuries and Agencies. The quality ratings of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2020 were as follows:

			Percentage
Quality Rating	Fair Value		of Portfolio
AAA	\$	5,521	5.85%
Bal>Aal		54,816	58.05%
Total credit risk debt securities		60,337	63.90%
U.S. Government fixed income securities:			
Government National Mortgage Association		4,547	4.82%
U.S. Treasury		8,815	9.33%
Not Rated		20,730	21.95%
Total fixed income securities	\$	94,429	100.00%

Custodial Credit Risk. The System has no formal policy regarding custodial credit risk for investments.

Concentration of Credit Risk. The System limits the amount of equity holdings in any one company to 8% of the market value of the portfolio; the amount of equity holdings in any one sector to 30% of the market value of the portfolio; and the amount of fixed-income securities in any one corporation to 5% of the market value of the portfolio. There is no limit on securities backed by the full faith and credit of the U.S. Government or any of its instrumentalities.

d. Concentrations

The System had individual fixed income or equity investments at June 30, 2020 managed by the following organizations that represented 5% or more of the System's net investments:

State Street Global Advisors	21%
Barrow Hanley	17
Morgan Stanley	13
Winslow Capital Management	9
Aronson + Johnson + Ortiz	6
UBS Trumbull Property Fund	5
Colchester	5
T. Rowe Price	5

In addition, the System owned individual assets at June 30, 2020 that represented 5% or more of the System's net investments:

State Street Global Advisors MSCI EAFE Index	8%
Morgan Stanley Core	8
State Street Global Advisors Russell 1000 Index SL	7
State Street Global Advisors Bond Market Index Fund	6
UBS Trumball Properties	5
T. Rowe Int Small Cap	5

e. Rate of Return

For the year ended June 30, 2020 the annual money-weighted rate of return on the System's investments, net of pension plan investment expense was 3.32%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

f. Method Used to Value Investments

Investments are reported at fair value. Securities and mutual funds traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

*During 2020, an outbreak of a novel strain on coronavirus ("Covid-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the CFRS's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

h. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance Incre		rease	Dec	rease	Ending Balance		
Capital assets, being depreciated:								
Buildings	\$	422	\$	16	\$	-	\$	438
Intangibles		210		22				232
Total capital assets being depreciated		632		38				670
Less accumulated depreciation for:								
Buildings		288		16		-		304
Intangibles		51		47				98
Total accumulated depreciation		339		63				402
Capital assets, net	\$	293	\$	(25)	\$		\$	268

3. NET PENSION LIABILITY:

The components of the net pension liability as of June 30, 2020 were as follows:

Total pension liability	\$1,244,191
Plan net position	<u>(558,040</u>)
Net pension liability	<u>\$686,151</u>

Plan fiduciary net position as a percentage of the total liability 44.85%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases 3.75-9.00%, including inflation

Investment rate of return 7.25%, net of pension plan investment expense, including

inflation

Mortality rates were based on the Pub-2010 Safety Retiree Headcount-Weighted Below Median Mortality Table adjusted by 87.5% for males projected generationally with Scale MP-2019 for the period after service retirement. The Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2019 is used for the period after disability retirement. The Pub-2010 Safety Employee Headcount-Weighted Mortality Table projected generationally with projection Scale MP-2019 is used for deaths in active service.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019.

The long-term expected rate of return on the System's investments was determined using a lognormal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	<u>Target</u>	Long-Term Expected
Asset Class	<u>Allocation</u>	Real Rate of Return
Broad Domestic Equity	36.0%	7.6%
International Equity	26.0%	7.5%
Domestic Fixed Income	23.0%	3.0%
Non US Fixed Income	5.0%	2.3%
Real Estate	10.0%	6.2%
Total	<u>100.0%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 3.38%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will be made at the current contribution rates. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members until the plan year ending June 30, 2046. Therefore, the long-term expected rate of return on pension plan investments of 7.25% was applied to all periods of projected benefit payments through June 30, 2046 and the applicable municipal bond index rate of 2.19%, based on the Bond Buyer General Obligation 20-year Municipal Bond Index Rate published weekly by The Bond Buyer (www.bondbuyer.com) as of June 30, 2020, was applied to all periods of projected benefit payments after June 30, 2046. The Single Equivalent Interest Rate (SEIR) of 3.38% that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability as of June 30, 2020.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System as of June 30, 2020, calculated using the discount rate of 3.38%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.38%) or one percentage point higher (4.38%) than the current rate (\$ thousands):

		1%	(Current		1%
	D	ecrease		Rate	I	ncrease
	(2.38%)	(3.38%)	(4.38%)
System's net pension liability	\$	889,831	\$	686,151	\$	522,583

4. INTERNAL REVENUE STATUS:

The Internal Revenue Service (IRS) has determined that the System meets the requirements of Section 401(a) of the Internal Revenue Code and is exempt from Federal income tax under Section 501(a) of the Code.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF THE CITY OF CHARLOTTE, NORTH CAROLINA SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (Dollar Amounts in Thousands)

	2020	 2019		2018		2017		2016	2015	2014
Total pension liability										
Service Cost	\$ 26,921	\$ 22,649	\$	24,023	\$	26,438	\$	15,387	\$ 15,049	\$ 13,967
Interest	46,105	44,028		41,792		37,701		37,984	36,036	34,249
Benefit changes	=	9,692		-		-		-	-	-
Difference between expected and actual experience	16,673	25,476		(4,229)		19,244		(2,503)	1,664	-
Changes of assumptions or other inputs	315,693	85,552		(31,043)		(60,216)		211,217	-	-
Benefit payments	(38,642)	(35,709)		(33,120)		(31,075)		(28,333)	(26,406)	(23,928)
Refunds of contributions	(887)	(416)		(212)		(70)		(416)	(69)	67
Net change in total pension liability	 365,863	 151,272		(2,789)		(7,978)		233,336	26,274	24,355
Total pension liability - beginning	878,328	727,056		729,845		737,823		504,487	478,213	453,858
Total pension liability - ending (a)	\$ 1,244,191	\$ 878,328	\$	727,056	\$	729,845	\$	737,823	\$504,487	\$478,213
Plan fiduciary net position										
Contributions - employer	\$ 11,450	\$ 10,193	\$	9,333	\$	9,106	\$	8,694	\$ 8,589	\$ 8,348
Contributions - member	10,770	10,610		9,909		9,636		8,991	9,138	8,723
Net investment income	17,216	22,930		46,981		57,681		2,266	20,421	73,607
Benefit payments	(38,642)	(35,709)		(33,120)		(31,075)		(28,333)	(26,406)	(23,928)
Administrative expense	(672)	(583)		(735)		(621)		(657)	(625)	(691)
Refunds of contributions	(887)	(416)		(212)		(70)		(416)	(69)	67
Other	 (63)	 (49)	_	(28)	_	(13)	_	-	(48)	(48)
Net change in plan fiduciary net position	(828)	6,976		32,128		44,644		(9,455)	11,000	66,078
Plan net position - beginning	 558,868	 551,892	_	519,764		475,120	_	484,575	473,575	407,497
Plan net position - ending (b)	\$ 558,040	\$ 558,868	\$	551,892	\$	519,764	\$	475,120	\$484,575	\$473,575
Net pension liability - ending (a) - (b)	\$ 686,151	\$ 319,460	\$	175,164	\$	210,081	\$	262,703	\$ 19,912	\$ 4,638
Plan net position as a percentage										
of the total pension liability	44.85%	63.63%		75.91%		71.22%		64.39%	96.05%	99.03%
Covered payroll	\$ 82,609	\$ 80,577	\$	73,779	\$	71,984	\$	68,727	\$ 65,821	\$ 64,190
Net pension liability as a percentage of covered payroll	830.60%	396.47%		237.42%		291.84%		382.24%	30.25%	7.22%

Note to Schedule:

In 2014, the System began reporting in accordance with GASB Statement 67 which requires 10 years of information. Additional years will be displayed as they become available.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF THE CITY OF CHARLOTTE, NORTH CAROLINA REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS Last Ten Fiscal Years (Dollar Amounts in Thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer contribution	\$ 14,713	\$ 14,625	\$ 13,088	\$ 9,495	\$ 10,206	\$ 11,454	\$ 10,849	\$ 9,214	\$ 8,409	\$ 8,131
Actual employer contributions	11,450	10,193	9,333	9,106	8,694	8,589	8,348	8,100	7,720	7,670
Annual contribution deficiency (excess)	\$ 3,263	\$ 4,432	\$ 3,755	\$ 389	\$ 1,512	\$ 2,865	\$ 2,501	\$ 1,114	\$ 689	\$ 461
Covered payroll	\$ 82,609	\$ 80,577	\$ 73,779	\$ 71,984	\$ 68,727	\$ 67,897	\$ 65,992	\$ 64,032	\$ 61,028	\$ 60,632
Actual contributions as a percentage of covered payroll	13.86%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%	12.65%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age

Amortization method Level percent of pay, open

Remaining amortization period 30 years

Asset valuation method 5-year smoothed market

Inflation 3.00%

Salary increases 3.75 - 9.00%, including inflation

Investment rate of return 7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Safety Retiree Headcount-Weighted Below Median Mortality Table adjusted by 87.5% for males projected generationally with Scale MP-2019 for the period after service retirement. The Pub-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table projected generationally with Scale MP-2019 is used for the period after disability retirement. The Pub-2010 Safety Employee Headcount-Weighted Mortality Table

projected generationally with projection Scale MP-2019 is used for deaths in active service.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM, A COMPONENT UNIT OF THE CITY OF CHARLOTTE, NORTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
Last Six Fiscal Years
(Dollar Amounts in Thousands)

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	3.32%	4.28%	9.54%	12.47%	0.78%	4.66%	18.60%

Note to Schedule:

In 2014, the System began reporting in accordance with GASB Statement 67 which requires 10 years of information. Additional years will be displayed as they become available.

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM 2021-2022 CONFERENCES

Aug 8-12, 2020 (approve in April)- (Virtual due to COVID) (Sandy) Annual NASRA Conference, Park City, UT

Sept 22-24, 2020 (approve in July) (no attendees) Callan College, Chicago, IL

Nov 15-18, 2020 (approve in July)- (no attendees) IFEBP 66th Annual Employee Benefits Conference, Honolulu, HI

Jan 24-26, 2021 (approve in Oct) (On site cancelled due to COVID)
NCPERS Legislative Conference, Renaissance Washington DC, Washington DC

Feb 2-3, 2021 (approve in January)

NCPERS 2021 Fall Conference- (rescheduled new date, Virtual- \$300)

Feb 24-26, 2021 (approve in Oct) Lisa (rescheduled to October 5-7, 2021)

NAPPA –Winter conference, Tempe, AZ

(extensive discussion Benefits, Fiduciary & Plan Governance, Investments & Tax)

March 2-5, 2021 (approve in January)

NCPERS Accredited Fiduciary Program – Module 1 & 2 (Virtual \$400)

March 9-12, 2021 (approve in January)

NCPERS Accredited Fiduciary Program – Module 3 & 4 (Virtual \$400)

April 13-15, 2021 (approve in January)

"Callan College" (Virtual)

May 22-23, 2021 (approve in January) On-Site cancelled due to COVID, reschedule pending NCPERS Annual Trustee Educational Seminar, Denver, CO

May 23-26, 2021 (approve in January) On-Site cancelled due to COVID, reschedule pending NCPERS Annual Conference & Exhibition, Denver, CO

June 21-23, 2020 (approve in April)

40th National Conference Callan Investments Institute, San Francisco, CA

June 22-25, 2021 (approve in April)

NAPPA –Legal Education Conference, Denver, CO

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM 2020-2021 CALENDAR and CONFERENCES OF MEETINGS

(Ethics/Fiduciary, Federal & State Legislation, Investment Issues, Benefit Issues)

June 27-30, 2021 (approve in January) On-Site (tentatively) 115th Annual GFOA Conference, Chicago, IL

June (TBD), 2020 (approve in April)

NAPPA –Legal Education Conference, Denver, CO (Ethics/Fiduciary, Federal & State Legislation, Investment Issues, Benefit Issues)

July 12-23, 2021 (approve in April) GFOA's 2021 Virtual Conference

July 14-15, 2021 (approve in April) On-Site Callan, "Callan College" Introduction to Investments, San Francisco, CA

July 18-21, 2021 (Approve in April) NCGFOA, Holiday Inn, Wrightsville Beach, NC

Aug 7-11, 2021 (approve in April)
Annual NASRA Conference, Pittsburgh, PA

October 5-7, 2021 (approve in July) (rescheduled from Feb 24, 2021)

NAPPA –Winter conference, Tempe, AZ

(extensive discussion Benefits, Fiduciary & Plan Governance, Investments & Tax)

Board Calendar

	Annual Topics	Q1	Q2	Q3	Q4
Topic	Description	(July)	(Oct)	(Jan)	(April)
Fiduciary training/Ethics	Standard fiduciary training for all committee members	✓			✓
Governance	Current updates	✓	✓	✓	✓
CAFR Report/Update	Ensure timely filings			✓	
Annual valuation	Cav.Mac present annual funding status.		✓		
Merits	Annual reviews			✓	
System Audit – Cherry Bekaert	Ensure no deficiencies in process and controls – Board Review	✓			
Investment Policy Statement review	Review for any updates brought by IC			✓	
Annual Budget Review	Review and approve annual operating budget				✓
Officer Election	Annual officer election	✓			
FY Admin Calendar	Review CFRS Administrator FY Calendar	✓			
Delegations/governance	Review delegations and general governance structures	✓			
Charter review	Review committee charter for any updates				✓
	Monthly Topics	Q1	Q2	Q3	Q4
Topic	Description	(July)	(Oct)	(Jan)	(April)
BC Meetings	Plan design and impact on funding, current topics	✓	✓	✓	✓
IC Meetings	Regular Meetings to review Investment Managers, rebalancing asset allocation, and miscellaneous projects	✓	✓	✓	✓
Disability Hearings	As called	✓	✓	✓	✓
	Ad Hoc Topics				
Funding Study	As requested. Last study CBIZ 2018				
Experience Study	Performed every 3-5 years. Last study Cav Mac 2020 (period ending 6/30/19)				
Asset Liability Study	Performed every 5 years. Last study Callan 2013				
Vendor Review	Investment Consultant, Actuary; Auditor (function of City in collaboration with CFRS)				

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

MEMORANDUM

DATE: December 21, 2020

TO: Board of Trustees

FROM: Sandy Thiry, Administrator

RE: Retiree Clay Morris' Request

Mr. Morris requests the CFRS Board of Trustees be his advocate to the City. Mr. Morris retired December 30, 2011.

- October 25, 2016 Plaintiff Kurzel commenced a civil action against the City alleging failure to pay the entire amount earned for his accrued unused sick and vacation leave upon his retirement. Several other plaintiffs filed Motions to Intervene until there was a total of 67 Plaintiffs (the "Kurzel Plaintiffs"). Mr. Morris was not one of the plaintiffs.
- August 29, 2018 The Kurzel Plaintiffs and the City settled the lawsuit. Per the
 settlement agreement, the City's payments were not to be construed as an admission by
 the City as to the validity of any of the Plaintiffs' claims or allegations nor an admission of
 any wrongdoing whatsoever by the City.
- March 25, 2019 The City Council adopted a resolution to treat the uniformed firefighters who could have joined the *Kurzel* lawsuit or who had retired since settlement of the *Kurzel* lawsuit (*Kurzel II* Retirees), equitably and in the same manner as the *Kurzel* Plaintiffs. The City applied a three-year statute of limitations and determined that the *Kurzel II* Retirees were those uniformed firefighters who retired between October 25, 2013 and March 24, 2019 and who were not named plaintiffs in the *Kurzel* lawsuit. The City provided new vacation payout information to the CFRS for each of the *Kurzel* Plaintiffs and the *Kurzel II* Retirees. The CFRS used this new information to recalculate each of the *Kurzel* Plaintiffs' and the *Kurzel II* Retirees' benefits per Section 54 of the CFRS Act. On the same date, City Council adopted a resolution approving a new vacation, sick, Garcia and T-13 leave policy.
- May 28, 2020 Mr. Morris addressed the Board regarding his belief that CFRS had miscalculated his benefit based on the same allegations made in the Kurzel lawsuit. The Board discussed the matter and explained that CFRS calculated his benefit based on the information it received from the City and that CFRS could not recalculate his benefit unless it received new information from the City that would change his benefit calculation. The Board concluded that any questions he or any employee has regarding their employment, service, or earnings should be directed to the City as the employer.
- August 11, 2020.- CFRS confirmed with the City's payroll division and CFD's General
 Office that, at the time of Mr. Morris' retirement, the City's policy for payouts of unused
 vacation and sick time was to multiply the number of days by the employee's daily rate
 of pay, which was how Mr. Morris' payout was calculated. CFRS also confirmed that the
 City has not paid any additional wages to Mr. Morris since his date of retirement.

- December 1, 2020, The CFRS' Administrator and Benefits Analyst, CFRS's legal Counsel and the City's HR Director met with Mr. Morris at the CFRS office. His benefit calculation was reviewed, and the City's HR Director explained the payout policy in effect at the time of Mr. Morris' retirement.
 - Mr. Morris stated his opinion that because the City changed its policy for payout provisions after the *Kurzel* lawsuit settlement, it stands to reason that the City made an error.
 - Mr. Morris shared that, prior to 2000, the City was using a different compensation system (GEAC) that used a daily time increment and daily rate of pay for computing an employee's vacation and sick pay. However, when the City implemented its new and current compensation system (PeopleSoft), which uses an hourly time increment and hourly rate of pay for computing an employee's vacation and sick pay, the City continued to pay firefighters vacation and sick leave based on a daily rate instead of an hourly rate for vacation and sick payouts. Mr. Morris's analogy is that the City changed the game but kept playing by the old rules.
 - Mr. Morris requests that the Board of Trustees a make a request on his behalf to the City to re-calculate the payout he received at his termination/retirement date and pay his unused sick and vacation time by his hourly rate vs the daily-rate method in effect at the time of his retirement and that CFRS recalculate his benefit based on that recalculation.