

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

July 22, 2021

PRESENT: Vanessa Heffron – Chair, John Carr (left at 10:56), Melinda Manning, Teresa Smith, Ryan Pope, Joey Hager, Marvin Wilson, Renee Metzler, Sheila Simpson, and Lee Thompson

STAFF: Sandy Thiry, Ty Phelps, Tony Bass, Desire Dixon, Sr. Assistant City Attorney Lisa Flowers

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:06 a.m. The Annual Board Meeting took place in person, remotely by video conference and conference call. Attendance was taken by roll call. Mrs. Heffron expressed her appreciation to Kelly Flannery, ex-officio trustee and CFO/Treasurer for the City, for her time and service.

I. CONSENT CALENDAR

Joey Hager motioned to approve the Consent Calendar which consisted of the January 28, 2021 and April 22, 2021 Board Meeting Minutes, Schedule of Retirements for January and April, FY22 CFRS Meeting Calendar, and the Active Member Election Timetable. Lee Thompson seconded the motion. Vote was taken via roll call and the motion carried.

II. BOARD OF GOVERNANCE

- A. The Board Governance Calendar was reviewed, and no action was taken.
- B. Sandy Thiry reminded the Board that the Code of Ethics form has been sent to trustees and staff ahead of the meeting. The Code of Ethics should be reviewed annually before signing. One Trustee form remains outstanding as of this meeting date.
- C. Elections of Officers – Vanessa Heffron reminded the Board of the election of officers voting process. She then asked for a motion to open the floor for nominations for the office of Vice Chair. Joey Hager motioned to open the floor for nominations of the Vice Chair and Ryan Pope seconded the motion. Motion carried unanimously via roll call vote. Ryan Pope nominated John Carr for Vice Chair. Joey Hager seconded the motion. Motion carried unanimously via roll call vote. Joey Hager motioned to close nominations of Vice Chair. Ryan Pope seconded motion. Motion carried unanimously via roll call vote. Joey Hager motioned to vote for John Carr as Vice Chair. Renee Metzler seconded. Motion carried unanimously via roll call vote. Joey Hager motioned to open nominations for Secretary. Lee Thompson seconded the motion. Motion carried unanimously via roll call vote. Joey Hager motioned to nominate Ryan Pope for Secretary. Lee Thompson seconded the motion. Motion carried unanimously via roll call vote. Lee Thompson motioned to close the nominations for Secretary. Ryan Pope seconded the motion. Motion carried unanimously via roll call vote. Joey Hager motioned to vote Ryan Pope for Secretary. Renee Metzler seconded motion. Motion carried unanimously via roll call vote. Congratulations given to John Carr and Ryan Pope.

III. REPORTS

A. Investment Committee Report – John Carr

John Carr expressed his appreciation for the service of ex-officio trustee and City of Charlotte CFO/Treasurer, Kelly Flannery, in recognition of her service to the Board and Investment Committee.

He provided an overview of the Investment Committee Meetings since the April 22, 2021 Board Meeting. The May 20, 2021 meeting included Callan. On June 17, 2021 the Committee spoke with Barrow Hanley Mewhinney & Strauss and State Street Global Advisors. On July 15, 2021 the Committee heard a business presentation from the firm Abraham, Fruchter & Twersky, LLP regarding Securities Litigation Monitoring. Callan provided an Investment Review of the overall Total Fund for 1Q2021. During this period, positive investment returns added \$12.6 million in market value while benefit payments and operating expenses deducted \$5.1 million. As a result, the ending Total Fund market value was \$648,295,667 as of March 31, 2021. While the Total Fund lagged the Composite Benchmark return over the First Quarter 2021, the Fund has exceeded both the Composite Benchmark and the actuarial assumed rate of return over all periods.

- 1) Asset Allocation review is performed at each Committee meeting. It was noted that the System remains in compliance with the Investment Policy Statement.
- 2) UBS Real Estate and Investment Counselors of Maryland (ICoM) are being monitored and Barrow Hanley U.S. Fixed Income has been removed from the watchlist. Per the Committee's request, Callan conducted a manager peer comparison study and provided a list of possible replacements for the Emerging Markets Equity asset class. Each potential firm's individual characteristics, investment philosophies, and fee schedules were examined to determine the best fit for the CFRS's investment needs.

MOTION: The Investment Committee motioned to hire Lazard Asset Management to replace Morgan Stanley's Emerging Market Fund and Joey Hager seconded the motion. The vote was taken via roll call and the motion carried.

- 3) The Investment Committee received a new business presentation from Abraham, Fruchter & Twersky as part of a continued education on industry practices related to securities litigation and monitoring services. CFRS currently uses three external law firms in this area and Abraham, Fruchter & Twersky requested consideration to be added to the existing list. The Committee felt the three existing firms were doing their job and did not see a need to change firms or hire a fourth firm.

Marvin Wilson motioned to approve the Investment Committee report and Melinda Manning seconded the motion. The vote was taken via roll call and the motion carried.

B. Benefits Committee Report

Melinda Manning provided an overview of the Benefits Committee Meetings since the April 22, 2021 Board Meeting. The Benefits Committee meetings were held on May 13, 2021, June 10, 2021, and July 8, 2021. The primary focus of these meetings centered around the Committee's Work Plan, Act Amendments, City Options for plan cost containment, Funding Policy, and a Post-Retirement Adjustment.

- 1) The Act Amendment's Bill is moving through the legislative process. To date, there has been no decision by the General Assembly. There are a few Bills at the General Assembly that may impact our Members if passed (tax leniency, Social Security benefits). Due to COVID the legislative process may take longer than originally anticipated.
- 2) As requested by the City, discussion continued this quarter regarding options that the City can review from a funding and plan formula perspective for controlling plan costs. These discussions have been lengthy utilizing actuarial reports, internal analysis, and a Member survey. Melinda Manning walked the Board through the various options and if the Committee could support the option.

MOTION: The Benefits Committee motioned to the Board to accept the Committee's findings and present the Option matrix along with the recent Member Survey questions, responses, and comments to the City. This was in response to the City's request for benefit plan cost management options, Ryan

Pope seconded the motion. The vote was taken via roll call and the motion carried with 8 affirmative votes. Marvin Wilson abstained from voting.

- 3) The Committee has been working on drafting a Funding Policy for the Board's review. Although one of the goals was to incorporate a post-retirement benefit provision within the policy, the Act would need to be amended through the Board, the City, and the General Assembly to do so. Until that can be done, the Policy refers to the current Act language. The Funding Policy draft is being presented to the Board for review with comments due prior to the Benefit Committee's regular meeting on September 9th to prepare for the Board's approval in October.
- 4) At the request of the Board at the January 2021 quarterly meeting, the Committee reviewed benefit levels of CFRS Members and the City's budget process for the City to possibly fund a post-retirement payment. Melinda reminded the Board that the Committee researched and presented a response to the Board at the Board's April meeting, which included waiting to review the annual valuation report in October. It was noted that there are a few variables that are still outstanding such as the approval by the General Assembly for funding change in the Act, which would still not be at the ADEC level, and the assumed rate of return is higher than what the actuary has recommended.

Joey Hager motioned to approve the Benefits Committee Report and Teresa Smith seconded. The vote was taken via roll call and the motion carried.

C. Administrator Report – Sandy Thiry

Sandy Thiry provided the Board with an overview of the Staff and System's quarterly activities since the April 22, 2021 Board Meeting, including copies of the estimated fiscal year end 2021 financial reports.

- (1) Sandy Thiry advised the Board of a possible special assessment request from the Charlotte National Building along with a proxy vote to amend the CNB by-laws for special assessments. The current by-laws do not provide for a special assessment. CNB proposed language to the Board which did not have any restrictions for how often a special assessment could be imposed. The Board discussed the need for modified language to put some limitations around special assessments.

MOTION: Lee Thompson motioned for the CFRS Board to vote "no" based on current language, and vote "yes" if the CNB Board accepted counter proposed language drafted by CFRS legal that would provide for accountability of special assessments. Joey Hager seconded the motion. The vote was taken via roll call and the motion carried.

- (2) There will be updates made to the CFRS signature forms due to Kelly Flannery's departure.
- (3) A Business Continuity Plan is formally being created by Staff with assistance by the CFRS' IT vendor and in conjunction with the new cyber insurance coverage. The IT vendor met with each staff member to review processes and systems accessed to ensure there are no gaps of risk in processes, systems, and personnel. Sandy reported there were no significant findings but additional measures most likely will be incorporated to confirm changes from retirees.
- (4) The CFRS Overview and CFRS Benefit Calculation learning modules have been rolled out for over 90 days. The next module regarding Disability Retirements has been reviewed by staff and legal counsel. Once final edits are made, it will be distributed to the members. Next module will be centered around the annual valuation process.
- (5) Conference attendance and registration were discussed. Upcoming conferences will be held both virtually and in-person this quarter.

NCPERS – Lee Thompson and Joey Hager
NAPPA – Lisa Flowers

IFEBP – (virtual) Tony Bass

Callan College / October - (Virtual) Joey Hager, Lee Thompson and Melinda Manning

MOTION: Joey Hager motioned to approve the conference attendance. Teresa Smith seconded the motion. The vote was taken via roll call and the motion carried.

Joey Hager motioned to accept the Administrators Report and Ryan Pope seconded the motion. The vote was taken via roll call and the motion carried.

IV. NEW BUSINESS

A. Marvin Wilson acknowledged the retirees that have passed away since the April 22, 2021 Board Meeting. Vanessa Heffron confirmed with Marvin he did not have anything else to add to his request to speak on a post-retirement benefit that was not already addressed in the Benefits Committee report.

Renee Metzler motioned to move from Open Session to Closed Session at 10:10 a.m. pursuant to N.C.G.S. Section 143-318.11(a)(3) To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged. Lee Thompson seconded the motion. The vote was taken via roll call and the motion carried.

Open Session - Renee Metzler motioned to re-enter Open Session at 10:58 a.m. and Ryan Pope seconded the motion. The vote was taken via roll call and the motion carried.

The Board waived attorney-client privilege regarding the outside legal opinion of Act, Section 54 for anyone retired prior to October 25, 2013.

ADJOURNMENT

Joey Hager motioned to adjourn at 11:08 a.m. Ryan Pope seconded the motion. The motion carried via roll call vote.

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

cc: Lisa Flowers, Assistant City Attorney