

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

January 27, 2022

PRESENT: Vanessa Heffron – Chair, John Carr, Melinda Manning, Teresa Smith, Ryan Pope, Joey Hager, Marvin Wilson, Renee Metzler (left at 1:04 p.m.), Sheila Simpson, and Lee Thompson (joined at 8:10)

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

GUESTS: Dan Gougherty, Cherry Bekaert

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:00 a.m. The Quarterly Board Meeting was held virtually. Attendance was taken by roll call.

I. CONSENT CALENDAR

Teresa Smith motioned to approve the Consent Calendar with edits to the October 28, 2021 Quarterly Board Meeting Minutes, November 1, 2021 Special Board Meeting Minutes, and December 16, 2021 Special Board Meeting minutes, which mainly consisted of formatting, references to the City's contributions to the State's 401K plan, and a partial motion. The Schedule of Retirements and Expense reports were also included. John Carr seconded the motion. Vote was taken via roll call and the motion carried.

II. BOARD GOVENANCE

Annual Audit Results - Dan Gougherty explained the role of the external auditor. Actions taken by the auditor include planning and performing procedures, obtaining reasonable assurance, and confirming financial reports are free from material misstatement. General journal entries, Act/policy changes, and benefit calculations are reviewed. It's the auditor's responsibility to express an opinion on the financial statements. The auditor issued an Unmodified Opinion (clean opinion) which is the highest level used with auditing standards. Dan noted there were no adjusting or passed journal entries required, good internal controls exhibited, and no significant deficiencies or material weaknesses were identified. He expressed positive comments on staff's full cooperation. The financial results were reviewed with the Board including additions and deductions to the Net Plan Position as well as the change in membership for both actives and retirees.

Vanessa Heffron provided an update regarding the Board's request for the City to fund a 3% COLA to those who retired prior to January 3, 2000. The City acknowledged the request but did express a possible interest in looking at the funding period or considering a step approach to fund the COLA. This request will be addressed within the City's budget process. Mr. Jones also reaffirmed the City's commitment to raise the employer contribution rate by 2% incrementally as previously agreed upon.

Vanessa Heffron extended congratulations to Joey Hager for his re-election as an elected member trustee for the term beginning January 1, 2022 through December 31, 2024. She also expressed appreciation for his time and dedication to the System.

The Board Governance Calendar was reviewed and noted to change the Asset Liability Study from Q3 to Q1.

III. REPORTS

Investment Committee Report

John Carr presented the updates from the Investment Committee since the October 28, 2021 Board Meeting. In November Callan provided an Investment Review of the overall Total Fund as of the 3Q2021. During this period, the Fund experienced negative investment returns of \$3.1M in market value while benefit payments and operating expenses deducted an additional \$4.8M. As a result, the ending Total Fund market value was \$669,312,791 as of September 30, 2021.

For the trailing one-year period, the Fund posted a 6.87% return which was below the Composite Benchmark return of 7.62%. The Fund has exceeded the 7.25% actuarial assumed rate of return over the trailing 1, 3, 5, 10, 15, 20, 30 year, and Inception-to-date periods. Over the last 30 years, the Total Fund returned 9.05% and ranked in the 11th percentile among all Public Funds in Callan's database.

The asset classes were reviewed each month. Due to the Domestic Fixed Income asset class market value dropping below the allowable range and the Domestic Equity asset class exceeding the allowable range per the Investment Policy Statement, the Committee authorized staff to transfer \$10M each from MFS Mid Cap Growth Equity and SSgA Russell 1000 Index Fund into Barrow Hanley Core Plus Fixed Income before year end. Both transactions were completed by mid-December.

The Committee also approved a \$4.5M cash liquidation to pay benefits and administrative expenses per the Board's budget approval. Based on the October 31, 2021 month-end asset allocation report provided by Staff, the Committee determined that the SSgA Russell 1000 Index Fund would be the best source of funds. This was completed in November 2021.

Questions were raised regarding listing of motions that are made within Committees to which the Charters provide expressed authority. Question was also raised as to the approval of Committee reports. Staff and legal will research.

MOTION: Joey Hager motioned to accept the Investment Committee report. Melinda Manning seconded the motion. The vote was taken via roll call and the motion carried.

Benefits Committee Report

Melinda Manning provided a summary of the Benefits Committee Meetings since the October 28, 2021 Board Meeting. The meetings were held on November 4, 2021, and January 13, 2022. The primary focus of these meetings centered around the Committee's Work Plan, Education modules, and the Scope for Legal Services RFQ.

The State's Department of Insurance has established and will be monitoring a pilot program to provide health benefits to eligible firefighters diagnosed with cancer.

The Committee worked with Staff to create the Annual Pension Plan Review education module and staff is currently waiting for the draft from the City.

The Committee has been working on drafting a Communications Policy. This project will include input and review by outside legal counsel once they are hired.

MOTION: John Carr motioned to accept the Benefits Committee Report and Renee Metzler seconded. The vote was taken via roll call and the motion carried.

Administrator Report

Sandy Thiry provided the Board with an overview of the Staff and System's quarterly activities since the October 28, 2021 Board Meeting.

The estimated 2Q2022 financial statements were provided to the Board. No areas of concern were noted. The FY21 Annual Financial Report was completed by December 31, 2021 and distributed shortly thereafter.

The Federal W4P tax withholding form has been updated by the Internal Revenue Service (IRS). However, the IRS was late in issuing the final version and payroll agencies were not able to update for the programming requirements in time for January 1, 2022. Therefore, the IRS has postponed the effective date of the new form to January 1, 2023. In the meantime, 2019 forms are still acceptable. USBank is working on the programming requirements and once they complete their programming, staff will work with CBIZ for programming that is required within the pension administration system. The form is more complicated than the previous version and assisting members with the impact of the new form on an individual's personal situation is complex and outside of the scope of services provided by the CFRS.

The Scope for Legal Service was reviewed by both Committees. The RFQ is expected to be issued by February 18, 2022 with the request for quotes by March 25, 2022. Between March 25th and the quarterly Board meeting on April 28th, a review will be performed consistent with the RFQ process. It was discussed that the Board would select a short list of potential firms on April 28th with a follow up of interviews for a final selection by the Board no later than the Board's July quarterly meeting.

Sandy explained that while conferences are a resource for fiduciary and pension education, she noted that personal development for Staff could be improved. She suggested that the Board consider approving the hiring of a third-party vendor who specializes in personal development to assist the staff with communication and leadership qualities. An approximate cost would range from \$5,000 to \$12,000. Due to the work cycle being heavier in the latter half of the calendar year, it would be beneficial for the staff to begin this endeavor during this fiscal year. The Board supported this opportunity and staff will move forward with the endeavor.

Sandy informed the Board on other various items in the report including preparing for possible disability hearings in April and May, and a kudos section added to the report. She will research the legal requirements for an in-person or virtual disability hearing.

MOTION: John Carr motioned to accept the Administrator's Report. Joey Hager seconded the motion. The vote was taken via roll call and the motion carried.

Upcoming conference attendance was discussed. In person meeting locations and/ or improving virtual technology for the Board's quarterly meetings were also discussed. Staff to research possible solutions.

Callan Annual Conference (April) – Joey Hager and John Carr

NCPERS Annual Conference (May) – Joey Hager and Teresa Smith

GFOA Annual Conference (June) – City Employee of Financial Reporting Dept (Betty Mattos)

MOTION: Joey Hager motioned to approve the conference attendances. Lee Thompson seconded the motion. The vote was taken via roll call and the motion carried.

IV. OLD BUSINESS

Marvin Wilson inquired into any updates the Board received from the City with respect to the NC Legislative Committee's review of the Act changes in the City's legislative packet. It was explained that the City's intergovernmental liaison informed staff of the legislation process and any update provided to staff was provided to the Board. Lisa Flowers explained that once the proposed amendments are at the General Assembly for processing, there is no guarantee that the amendments will be approved as submitted. The General Assembly could approve as written, modify, or even deny the request. In this case, the amendment was stuck in Committee and never made it to the floor for a vote. Marvin Wilson expressed the need for someone other than the City to follow the process and provide updates. Marvin will take on this task.

V. NEW BUSINESS

Marvin raised his opinion that the CFRS Travel policy was for CFRS staff and Trustee members only, not to include City employees. For several years, the Board has approved one City employee from the City's Financial Reporting group to attend the GFOA annual conference because the City's Financial Reporting Department provides accounting services to the CFRS for the Annual Financial Report. Supporting a City employee for continuing education on accounting requirements for the financial reports versus using an outside firm provides savings to the CFRS. The Travel Policy will be one of the policies reviewed in the future with hired legal counsel.

Marvin Wilson acknowledged five retirees that passed away since the October 28, 2021 Board Meeting.

VI. EXECUTIVE SESSION

John Carr 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)(6) to consider the performance of the System's staff. Joey Hager seconded the motion. The vote was taken via roll call and the motion carried.

John Carr motioned to return to Open Session at 1:04 p.m. Melinda Manning seconded the motion. The vote was taken via roll call and the motion carried.

The Board informed Sandy Thiry that the Board reviewed the staff's performance and instructed her to follow up with Sheila Simpson regarding the Board's decision regarding payroll increases for staff.

ADJOURNMENT

Joey Hager motioned to adjourn at 1:06 p.m. Ryan Pope seconded the motion. The motion carried via roll call vote.

Next Regular meeting is scheduled for Thursday, April 28, 2022.

cc: Lisa Flowers, Assistant City Attorney