

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

April 28, 2022

PRESENT: Vanessa Heffron – Chair, John Carr, Melinda Manning, Teresa Smith, Ryan Pope, Joey Hager, Marvin Wilson, Renee Metzler, Sheila Simpson, Lee Thompson, and Matt Hastedt

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

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:00 a.m. New trustee, Matt Hastedt was welcomed to the Board. 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 a minor edit to the January 27, 2022 Quarterly Board Meeting Minutes correcting the date of the next meeting. The Schedule of Retirements and Expense reports were included in the Consent items. Melinda Manning seconded the motion. Vote was taken via roll call and the motion carried.

II. BOARD GOVERNANCE

The Board discussed the Governance Calendar for the quarter and moved the Asset Liability Study from April to July.

Tony Bass reviewed the proposed CFRS budget for FY23 with the Board which included contributions, investment income and expenses, and administration expenses. A budget narrative explaining the individual budget items was reviewed. The Board discussed the budget and all increases from the prior year. After thorough review, a recommendation was made to lower the budgeted wages to a 3.5% change from prior year.

MOTION: Matt Hastedt motioned to approve the proposed budget with an adjustment to wages at a 3.5% change from prior year. John Carr seconded the motion. The vote was taken via roll call and the motion carried.

III. REPORTS

Investment Committee Report

John Carr presented the updates from the Investment Committee since the January 27, 2022, Board Meeting. The Total Fund experienced solid performance for the calendar year earning a 11.09% return which was well-above the actuarial assumed rate. The 5-year return of 11.00% matched the Custom Index return and placed the Fund in the 48th percentile. Since Inception, the Total Fund returned 9.28% and outperformed the Custom Index by 58 basis points on an annualized basis. During the Fourth Quarter 2021, the Fund experienced positive investment returns of \$26.4 million in market value while benefit payments and operating expenses deducted \$3.7 million. As a result, the ending Total Fund market value was \$692,005,963 as of December 31, 2021.

The Investment Committee reviewed the monthly asset allocation reports. All asset classes were in compliance with the Investment Policy Statement. Rebalances done during the year were in line with strategic asset allocation targets. The Committee approved a \$5 million cash liquidation request to pay benefits and administrative expenses at the February meeting. The liquidation was determined from the January asset allocation report and was made from the SSgA Russell 1000 Index Fund.

The Committee motioned to remove UBS Real Estate from the formal watch list as the actions taken by the firm to improve performance were implemented as expected, resulting in positive performance.

William Blair Small Cap Value (previously Investment Counselors of Maryland) was placed on watch status effective February 2021 due to the change in ownership. The transition in ownership to William Blair took place on July 31, 2021. They will remain on the watchlist.

William Blair presented an option to convert the existing institutional class shares to R6 class shares to the Committee which would reduce the manager fees by 9%. The Committee motioned to convert the Institutional class shares to R6 class shares and keep the registration of the shares with the custodian bank, USBank. The conversion was finalized on April 27, 2022.

The Investment Committee gave an update on the impact of the Russia / Ukraine conflict on the assets. Only T. Rowe Price (less than 1%) and Lazard (less than 3%) had small exposures to the Russian Market. Both firms had reduced the market values to \$.00001, in line with their respective benchmarks by April so that the holding and the benchmark reflect the same prices at month end, March 2022.

The Asset Liability Study is underway. Results will be available for the Board's July meeting.

MOTION: Melinda Manning motioned to accept the Investment Committee report. Joey Hager 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 January 27, 2022 Board Meeting. The Committee continues to utilize the Work Plan to remain focused on the various projects and policy reviews. The Committee reviewed the Benefits Committee Charter. Edits consisted of clarification of adoption vs amending, housekeeping edits under Authority & Responsibility, and Committee Meetings sections. The Benefits Committee will await the Investment Committee's review and edits to work toward consistency between the two Charters.

The Committee continues to monitor various legislative bills that may impact CFRS Members. Secure Act 2.0 has passed, which pertains mainly to defined contribution plans. In the Secure Act 2.0, the minimum distribution age was increased from 72 to 75. Staff will monitor for any requirements for the CFRS.

Melinda acknowledged the update of the trustee portal and the Website's Meetings page for simplicity and ease of navigation.

The Annual Pension Plan Review education module was released February 28, 2022. The CFRS Benefits (termination, death, divorce, retirement) module was released to the Members April 22, 2022. The modules are assigned to the active members for completion. Positive feedback continues to be received from the members.

The Committee has been working to draft a Communications Policy. This project will include input and review by outside legal counsel once hired.

Disability Benefits and the Disability Regulations were discussed by the Committee. Concern was raised with the complexity of the Regulations and how the Regulations could be reorganized to be reader friendly. Any change to the Regulations must be approved by City Council. The Board discussed the need to create a user-friendly guide to assist the trustees in applying applicable sections to individual applicants. Additional education was also raised due to new trustees on the Board. The Committee will add this to their work plan and prepare an update for a future Board meeting.

The Committee discussed the Minimum Benefit of \$902.75 per the Act. The Committee discussed the history of the Minimum Benefit, and concern was raised that members with 5-9 years of vested service who terminate, receive a higher benefit than what they may have accrued. Staff was asked to perform an analysis for the Committee and Board's review. The analysis reflects that the Minimum Benefit will wear-away by between 7 or 8 years of service assuming salaries increase 3% annually. The Minimum Benefit can also impact In Line of Duty Disability benefits. Research also found that there are more terminated vested members than ever before, but most of the terminated vested members who were eligible to receive the minimum benefit at age 60 have elected a refund of contributions in lieu of the future monthly benefit. The Board discussed the option to pursue this topic further and determined it was not significant in nature and the emphasis should be placed on getting the Act changes previously submitted passed through legislation.

MOTION: John Carr motioned to accept the Benefits Committee Report and Marvin Wilson 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 January 27, 2022 Board Meeting. The estimated 3Q2022 financial statements were provided to the Board. No areas of concern were noted.

The RFQ for outside legal counsel was submitted in March 2022 and yielded one bid which was from Cohen Milstein. Cohen Milstein presented itself with esteemed staff capable of the project work identified. The Board discussed the RFQ process including the bidding process, and why there may not have been more bids for this project work. The need for a firm that knows NC laws is vital for the success of this project. The RFQ is for the specific project of reviewing Board policies, and the contract will not obligate either party for long term services.

MOTION: John Carr motioned to accept Cohen Milstein as the outside legal counsel and authorize Sandy Thiry and Lisa Flowers to work on their contract. Renee Metzler second the motion. The vote was taken via roll call and the motion carried.

Sandy informed the Board of the preparation for an upcoming disability hearing for a new applicant and continuation of the hearing held on April 7, 2022. Updates will be forthcoming.

On April 5, 2022 the system celebrated 75 years and this anniversary was commemorated with engraved wood coasters which were made in the United States. The CFRS staff visited the 43 stations between April 11th to April 13th and mailed over 800 commemorative gifts to the retired members. The total cost for the project came in under budget. Both positive and negative feedback have been received.

CFRS office operation continues however the Charlotte National Building doors have been locked due to people loitering within the building exhibiting suspicious behavior. It has not been decided if or when the doors will be unlocked to the public. Staff will keep the Board updated to any changes.

Education modules have been created and distributed to active members. The focus for the next education module will be geared toward the retirees with education on cyber security.

The Board discussed the upcoming conferences and possible trustee attendance.

NAPPA Legal Education Conference (June) – Lisa Flowers
NASRA Annual Conference (August) – Sheila Simpson

MOTION: John Carr motioned to approve the conference attendances. Melinda Manning seconded the motion. The vote was taken via roll call and the motion carried.

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

ADJOURNMENT

Melinda Manning motioned to adjourn at 9:56 a.m. Renee Metzler seconded the motion. The motion carried via roll call vote.

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

cc: Lisa Flowers, Assistant City Attorney

DRAFT