

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

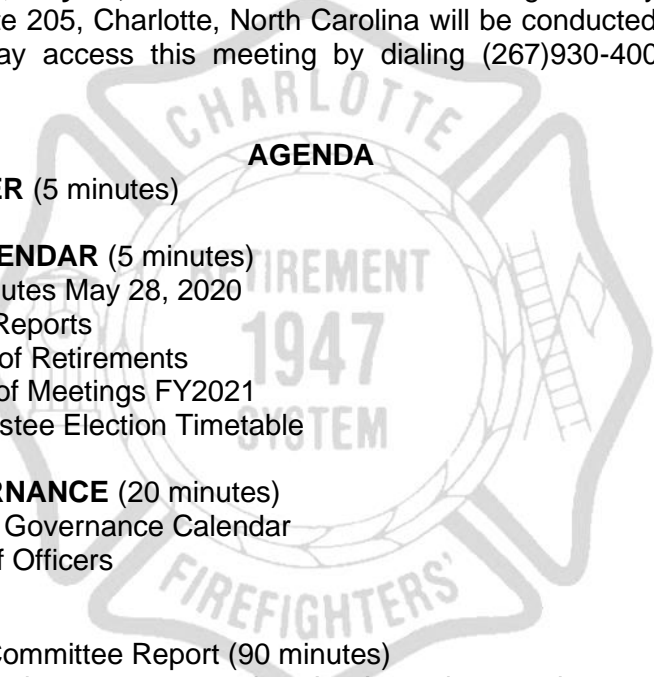
428 East Fourth Street • Suite 205 • Charlotte, North Carolina • 28202 • (704) 626-2728 • Fax (704) 626-7365

MEETING NOTICE AND AGENDA

DATE: July 17, 2020
TO: Board of Trustees
Charlotte Firefighters' Retirement System
FROM: Sandy Thiry – Administrator

The Annual meeting of the Board of Trustees of the Charlotte Firefighters' Retirement System (CFRS) will be held on Thursday, **July 23, 2020 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 (267)930-4000 with participant code, 509617232.

AGENDA

- 
- I. **CALL TO ORDER** (5 minutes)
 - II. **CONSENT CALENDAR** (5 minutes)
 - a. Board Minutes May 28, 2020
 - b. Expense Reports
 - c. Schedule of Retirements
 - d. Calendar of Meetings FY2021
 - e. Active Trustee Election Timetable
 - III. **BOARD GOVERNANCE** (20 minutes)
 - a. Review of Governance Calendar
 - b. Election of Officers
 - IV. **REPORTS**
 - a. Benefits Committee Report (90 minutes)
 - i. Motion to recommend an Act Amendment to increase the Employer Contribution rate to 14% effective 7/1/2020 , 16% effective 7/1/2021, 18% effective 7/1/2022, 20% effective 7/1/2023; 22% effective 7/1/2024, and 24% effective 7/1/2025, not to exceed the ADEC in any given year but not less than 14%.
 - ii. Motion to recommend options for Board's consideration.
 - b. Investment Committee Report (10 minutes)
 - i. Motion to allow Winslow Capital Management to increase certain equity holdings in excess of 8%.
 - c. Administrator Report (10 minutes)
 - V. **NEW BUSINESS**

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: October 22, 2020

CONSENT CALENDAR

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

REGULAR BOARD MEETING MINUTES

May 28, 2020

PRESENT: Vanessa Heffron – Chair, John Carr, Melinda Manning, Scott Greer, Kelly Flannery (left at 12:00 p.m.), Teresa Smith (left at 10:56 a.m. and rejoined at 11:27 a.m.), Ryan Pope, Joey Hager, Lee Thompson, Sheila Simpson (left at 12:00 p.m.) and Marvin Wilson

GUEST: Deputy Chief Jerry Winkles, Retired Member Clay Morris, Retired Member Brian Kurzel, 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 8:05 a.m. Due to the NC Stay-At-Home order surrounding COVID-19, the Board meeting took place via teleconference. Sandy Thiry conducted a roll call on behalf of Vanessa Heffron. Four active and retired members were also acknowledged on the conference call. Vanessa Heffron and Lisa Flowers discussed remote meeting protocols with trustees and members.

II. CONSENT CALENDAR / BOARD GOVERNANCE

John Carr motioned to approve the Consent Calendar which consisted of the Board Meeting Minutes of January 23, 2020, Expense Reports, and Schedule of Retirements. Joey Hager seconded the motion. Vote was taken via roll call of all trustees in attendance and the motion carried unanimously.

III. FALLEN FIREFIGHTERS

Mr. Wilson acknowledged retirees who recently passed away including Kenneth Phillips, Norman McCoy, John Carriker, Jr., Elmer Christenbury, Benny Norwood, and William Lowe.

IV. BOARD GOVERNANCE

Vanessa Heffron reviewed the Governance Calendar to ensure the Board is on schedule with tasks. She reminded the Investment and Benefits Committees that review of their Charters are due and to place on their upcoming agendas.

V. REPORTS

A. Experience Study – Todd Green (Cavanaugh Macdonald)

The actuary role is to help estimate the cost of the plan using a series of assumptions and liability determined by the Board. Todd Green reviewed the basic funding equation: Contributions plus Investment Income equals Benefits Paid plus Expenses ($C + I = B + E$). The series of assumptions are reviewed through an Experience Study which is performed every five years. Using the demographic and economic experience over the previous five years, 2014-2019, the actuary can determine if previously adopted assumptions are still applicable or need adjusting. Todd explained the assumptions are long term estimates and uses a combination of various current reference points such as experience of recent retirees and economic conditions and forecasting those into the future. He further explained a more aggressive assumption is more likely to generate actuarial losses while a more conservative assumption

will likely generate actuarial gains. There are Demographic and Economic Assumptions and within these the most powerful assumption is the Investment Rate of Return.

- a) Demographic Assumptions – The Actuarial Standards of Practice (ASOP) No. 35 provides the actuaries guidance in selecting demographic assumptions for measuring obligations. Demographic assumptions include withdrawal rates, new retirements, mortality tables, use of sick leave, and marriage assumptions. Since withdrawal rates and the number of new retirements were greater than expected, the recommendation was to change these assumptions. Mortality tables were discussed. The Society of Actuaries published a table specific to safety workers. Todd explained the auditors would be reviewing mortality tables used in plans and would be difficult to support the use of a table other than one specific to safety workers. Unused sick leave was also discussed, and the study supported increasing the additional service at retirement from 2/3 year to a full year. Question was raised as to what the cost impact is the plan for the additional service. Todd Green would get back to the Board on this since he did not have that readily available.

Note: Todd Green followed up with staff and reported the added cost to the ADEC for the additional service due to unused sick time is .60% of payroll.

- b) Economic Assumptions - Salary assumptions include price inflation, wage inflation and merit/promotion scale. The ASOP No. 27 provides the actuary guidance in determining price and wage inflation. A slight reduction in price inflation and increase to wage inflation netted no change overall. Payroll growth reflected salary increases higher than other plans but recommended staying at current assumption. The current rate of Investment Rate of Return is 7.5%. Todd explained since 2019, the trend has been to lower the rate of return. NASRA's Public Fund Survey reflected a median rate of 7.33%. LGERS rate of return was 7% as of their 2018 valuation and is in process of an experience study themselves. NCPERS survey published in Jan 2020 reflects downward movement to 7.24% from 7.34% from prior year. Cavanaugh takes into consideration CFRS' investment consultant's capital market projections, which are 10-year projections, as well as the Horizon Survey. The recommended rate of 6.75% is the middle of Callan's projections and Horizon's Survey. Question was asked as to what constitutes a well-funded plan. Todd answered having a plan in balance ($C+I=B+E$) and explained that the funded ratio works in conjunction with contribution levels. Currently contributions are not sufficient, therefore funding ratio declining. Question was raised as to how long assets will last if no changes to contributions and the rate of return was lowered to 6.75%.

Note: Todd Green followed up with staff regarding the above question and reported that using methodology prescribed by GASB, shortens the timeframe by four years and if the full ADEC is paid, the fund is not projected to run out of money.

- c) Actuarial Methods – Currently, the Unfunded Actuarial Accrued Liability (UAAL) is amortized as a level percentage of payroll over an open period of 30 years. NCPERS Study reflects a period of 22.4 years is widely used with 67% utilizing a closed period. Todd reviewed an example of a layered amortization approach. The recommendation is to use a layered closed amortization approach.

John Carr made a motion to approve the Experience Study Report. Kelly Flannery seconded the motion. Motion carried unanimously by roll call vote with all trustees in attendance.

Break at 9:52 a.m. and restart at 10:00 a.m.

B. Experience Study Assumptions

- 1) John Carr discussed the significant impact the rate of return assumption would have on the plan. In depth discussions occurred within the Committee, with Callan, and other plan surveys such as NASRA and NCPERS, as Todd Green had mentioned, were taken into consideration as well as the long-term performance of the fund. The Committee also reviewed additional analysis by Cavanaugh for impact to the fund using 7.25%, 7% and 6.75% rate of return assumptions. It was evident that the rate of return should be lowered. However, the Committee felt it was prudent to take an incremental approach to lowering the rate of return. Therefore, the Committee has motioned that the rate of return be reduced to 7.25% and would be monitored annually.

Joey Hager seconded the motion. The motion carried unanimously via roll call with all trustees in attendance.

- 2) Melinda Manning noted that the Benefits Committee had been reviewing the Actuarial Methods including the amortization method and a corridor based on the Pension Review project recommendation done by CBIZ and confirmed with Cavanaugh earlier this year. The Board approved the Actuarial Methods at the January 23, 2020 Board meeting. The Committee has spent considerable amount of time reviewing the Demographic Assumptions and other Economic Assumptions such as Salary and Payroll Growth. Todd Green attended a Committee meeting and provided additional insight to the Experience Study and data used. Overtime is included in salary provided in the Experience Study and therefore the cost of it to benefits is taken into consideration as reflected in the ADEC (Actuarially Determined Employer Contribution).
- 3) The Benefits Committee has motioned to accept the Demographic Assumptions as presented by Cavanaugh Macdonald.

John Carr seconded the motion to approve the Demographic Assumptions recommended by the Benefits Committee per Cavanaugh Macdonald. The motion carried unanimously via roll call by all trustees in attendance.

- 4) Melinda reviewed the components for Salary Growth and Payroll with the Board. Although the components change slightly, the net result is the same. Melinda Manning motioned to accept the Salary and Payroll Growth Assumptions as recommended by Cavanaugh Macdonald.

Sheila Simpson seconded the motion. The motion carried unanimously via roll call with all trustees in attendance.

The Committee discussed the effective adoption date for the assumptions. John Carr motioned to accept all assumption changes effective with the June 30, 2020 valuation process. Melinda Manning seconded the motion. The motion carried unanimously via roll call with all trustees in attendance.

C. Investment Committee Report – John Carr

Due to the re-scheduling of the April 2020 Board meeting, the Investment Committee report includes a review of both the 4Q 2019 and 1Q 2020 fund performance.

- 1) Positive investment returns in 4Q 2019 added \$30.4M in market value while benefit payments and operating expenses deducted \$5.9M. As a result, the ending Total Fund market value was \$579.1M as of December 31, 2019. The Total Fund returned 5.50%, gross of fees, over the course of the Fourth Quarter, which slightly underperformed the Custom Index return of 5.78%, but ranked in the top 34 percent in the Callan Public Fund Sponsor database. Since Callan's inception reporting period (31.5 years) the Total Fund returned 9.07%, outperforming the Custom Index.
- 2) In Q1 2020 capital markets faced unprecedented disruption as the COVID-19 crisis caused global economies to grind to a halt. Coupled with the oil dispute between Saudi Arabia and Russia, the Total Fund returned -13.91%, gross of fees, while the Custom Index returned

-13.50%. This return would have been much worse had CFRS not been well-diversified across the U.S. and international fixed income, and real estate asset classes. Negative investment returns subtracted \$80.1M in market value while benefit payments and operating expenses deducted \$5.3M. As a result, the ending Total Fund market value was \$493.7M as of March 31, 2020.

- 3) Morgan Stanley Emerging Markets Equity remained on the Watch List given the recent performance-related issues in 1Q 2020. AJO continued to experience performance-related issues and remains on watch effective November 2019. UBS Realty was placed on watch in February 2020 due to recent team changes and performance concerns. The Committee also continues to monitor the size of the redemption queue for the UBS real estate fund.
- 4) The Investment Committee reviewed the investment consultant contract that is due to expire June 30, 2020. Based on quality and timeliness of service, the Committee recommended renewing the 3-year contract with Callan as the System's investment consultant. Callan's fees for the new contract period have a nominal increase comparatively experienced in the last contract period.

Joey Hager seconded the motion. The motion carried unanimously via roll call with eight affirmative votes. John Carr abstained, and Teresa Smith was not in attendance for this vote.

Marvin Wilson motioned to accept the Investment Committee's Report. Sheila Simpson seconded the motion. The motion carried unanimously via roll call with nine affirmative votes. Teresa Smith was not in attendance.

D. Benefits Committee Report – Melinda Manning

Melinda Manning provided the Board with updates on the Pension Review Project, Experience Study and the Act Amendments.

- 1) Melinda Manning reminded the Board that the Actuarial Method assumptions were previously approved by the Board in January and the Committee has continued to make progress working through the Pension Review Project while working collaboratively with the City on a funding initiative. She noted that the City approved the Employer Contribution to 14% effective with FY2021.
- 2) The changes to the Act Amendment have been continuously discussed to include updates, housekeeping edits (capitalization/punctuation), IRS requirements, and ADEC funding.
- 3) The committee has reviewed the cost drivers that CBIZ pointed out in the Pension Review Project. The three biggest drivers impacting the cost of the plan from a benefits perspective noted by CBIZ are compensation, vacation/sick payout within the 2-year averaging period and cost of military purchases.
- 4) Goals for the Benefits Committee include collaborating with the City on a funding strategy to raise the ADEC and the Act Amendments to bring to the Board for review at the July Board meeting.

John Carr motioned to accept the Benefits Committee's report. Joey Hager seconded the motion. Active Member Jeff Clark questioned the Board regarding voting on Act Amendment changes. He proceeded to state that he had concerns he wanted the Board to hear. Vanessa Heffron provided him the opportunity to bring his concerns to the Benefits Committee and confirmed that no votes were being taken today regarding any Act amendments, just a vote to approve the Committee's report. The motion carried unanimously via roll call with nine affirmative votes. Teresa Smith abstained from voting since she rejoined the meeting during the report.

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) Sandy Thiry provided the Board with a proposed budget and narrative for FY2021. Sandy explained revenue for the System is based on employee and employer contributions, military and government purchases, interest and dividends. The fund balance is projected using the Board's adopted assumed rate of return. The fund balance is used to project certain costs such as investment manager fees. Expenditures were reviewed and budgeted items were either removed or adjusted downward in light of COVID-19 impact to the fund and System's needs as a result of modifying work habits. The budget is continually monitored and if any adjustment may be necessary due to unprecedented times, the Board will be addressed at that time. Question was raised as to the percentage the administrative costs are to the plan. Sandy Thiry explained the CAFR has this noted and stated that the administrative costs were .11% for 2019, reduced from .14% from prior year.

Sheila Simpson motioned to approve the proposed FY2021 budget as presented. Teresa Smith seconded the motion. The motion carried unanimously via roll call with all trustees in attendance.

- 2) Conferences – Sandy Thiry explained NAPPA and NASRA conferences are scheduled but due to COVID-19 restrictions, some are being cancelled or changed to virtual conferences. Lisa Flowers typically attends the NAPPA. Sandy Thiry expressed interest in the NASRA conference which may be a virtual conference.

Marvin Wilson motioned to approve the conference attendance for Lisa Flowers and Sandy Thiry. Joey Hager seconded the motion. The motion carried with eight affirmative votes via roll call. Sheila Simpson and Kelly Flannery left the meeting at 12:00pm and were not available for the vote.

- 3) Due to time restraint, trustees were directed to review the Administrator's report individually and address concerns or questions with the Board.

Ryan Pope motioned to accept the Administrators Report. Lee Thompson seconded the motion. The motion carried with eight affirmative votes via roll call. Sheila Simpson and Kelly Flannery left the meeting and were not available for the vote.

V. NEW BUSINESS

Clay Morris addressed the Board with his concern regarding a believed shortage of benefits from the Retirement System. His concern stemmed from *Kurzel et al vs City of Charlotte* lawsuit and subsequent settlement between the two parties. Lisa Flowers discussed the legal requirements and the trustee's responsibilities to follow the plan. Lisa explained that a settlement agreement between two parties is not an admission of guilt or wrongdoing. The CFRS was not a party to the lawsuit and only obligation was to correct benefits based on a change in certain retiree records which affected their benefit calculation. To date the Retirement System has not received any change in records regarding his employment or earnings that would warrant a review of his benefit. Any questions he or any employee has regarding his employment, service, or earnings must be directed to the City since they are the employer.

ADJOURNMENT

Marvin Wilson motioned to adjourn at 12:35 p.m. Melinda Manning seconded the motion. The motion carried with eight affirmative votes via roll call. Sheila Simpson and Kelly Flannery left the meeting and were not available for the vote.

Next Regular meeting is scheduled for Thursday, July 23, 2020.

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
EXPENSE REPORT**

NAME: Joey Hager

Type	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
DATE:			5/26/2020					
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			400.00					\$400.00
TOTAL	\$0.00	\$0.00	\$400.00	\$0.00	\$0.00	\$0.00	\$0.00	\$400.00

Mileage								0.0
0.575	\$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
				\$0.00
				\$0.00
TOTAL				\$0.00

I certify the above expenses to be true and accurate:

Attendee's Signature: see email

Administrator's Signature: Sandy Thiry

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

Total from Above	Deduct Prepaid Expense	Deduct Travel Advance	TOTAL Due Traveler or (Due System)
\$400.00			\$400.00

Travel from: _____ Travel to: _____

Purpose of Trip: NCPERS Accredited Fiduciary Modules 3 & 4 (virtual seminar due to COVID19)

Chairman's Signature: _____ Treasurer's Signature: _____

Charlotte Firefighters' Retirement System
Members Presented to Board for Approval
July 23, 2020 Board Meeting

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

Fname	MI	Lname	DOH	DOR	Station	Rank	Retirement Type
Edward	W.	Cranford	11/30/1992	6/27/2020	2-A	Captain	Service
Paula	D.	McDaniel	1/23/1991	7/11/2020	Training Academy	Division Chief	Service

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
2020-2021 CALENDAR OF MEETINGS**

JULY, 2020

- 9 Benefits Committee (8:00 A.M.)
- 16 Investment Committee (8:00 A.M.) AJO, Winslow,
- 23 Annual Board of Trustees Meeting (8:00 A.M.)

AUGUST, 2020

- 13 Benefits Committee (8:00 A.M.)
- 20 Investment Committee (8:00 A.M.) 2Q2020 Callan Report;

SEPTEMBER, 2020

- 10 Benefits Committee (8:00 A.M.)
- 17 Investment Committee (8:00 A.M.) Colchester

OCTOBER, 2020

- 8 Benefits Committee (8:00 A.M.)
- 15 Investment Committee (8:00 A.M.) JPMChase, UBS-Trumbull
Property Fund
- 22 Board of Trustees - Regular Quarterly Meeting (8:00 A.M.)
includes Actuarial Valuation Report – Portfolio Overview/Callan

NOVEMBER, 2020

- 12 Benefits Committee (8:00 A.M.)
- 19 Investment Committee (8:00 A.M.) 3Q2020 Callan Report

DECEMBER, 2020

- 10 Benefits Committee (8:00 A.M.)
- 17 Investment Committee (8:00 A.M.)

JANUARY, 2021

- 14 Benefits Committee (8:00 A.M.)
- 21 Investment Committee (8:00 A.M.) Robeco-Boston Partners, MFS
- 28 Board of Trustees - Regular Quarterly Meeting (8:00 A.M.)

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

FEBRUARY, 2021

- 11 Benefits Committee (8:00 A.M.)
- 18 Investment Committee (8:00 A.M.) 4Q2020 Callan Report

MARCH, 2021

- 11 Benefits Committee (8:00 A.M.)
- 18 Investment Committee (8:00 A.M.) ICoM, Eagle Asset Mgmt

APRIL, 2021

- 8 Benefits Committee (8:00 A.M.)
- 15 Investment Committee (8:00 A.M.) Morgan Stanley, T. Rowe Price
- 22 Board of Trustees - Regular Quarterly Meeting (8:00 A.M.)

MAY, 2021

- 13 Benefits Committee (8:00 A.M.)
- 20 Investment Committee (8:00 A.M.) 1Q2021 Callan Report

JUNE, 2021

- 10 Benefits Committee (8:00 A.M.)
- 17 Investment Committee (8:00 A.M.) BHMS, SSgA
- 21 - 23 40th Annual Conference Callan Investments Institute,
San Francisco, CA

JULY, 2021 (FY2022)

- 8 Benefits Committee (8:00 A.M.)
- 15 Investment Committee (8:00 A.M.) AJO, Winslow
- 22 Annual Board of Trustees Meeting (8:00 A.M.)

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

DISABILITY CALENDAR

The Board approved designation of the **FIRST THURSDAY morning** of each month as a tentative hearing date for the Board of Trustees. These days each month should be reserved for scheduling Disability Retirement Application and Review Hearings.

The Administrator and or Office Assistant will advise each Trustee, the Assistant City Attorney, the Court Reporter, the Medical Board, and Attorneys at the beginning of each prior month whether a hearing will be necessary in the next month.

Please reserve the hours of 8:00 A.M. to 12 Noon on the following dates.

Tentative Hearing Dates in FY2021

July 2, 2020
August 6, 2020
September 3, 2020
October 1, 2020
November 5, 2020
December 3, 2020
January 7, 2021
February 4, 2021
March 4, 2021
April 1, 2021
May 6, 2021
June 3, 2021
July 1, 2021

**CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
2020-2021 CALENDAR and CONFERENCES OF MEETINGS
Conferences FY 2021:**

Aug 8-12, 2020 (approve in April)

Annual NASRA Conference, Park City, UT – virtual meeting

Sept 22-24, 2020 (approve in July)

Callan College, Chicago, IL

Nov 15-18, 2020 (approve in July)

IFEBP 66th Annual Employee Benefits Conference, Honolulu, HI

Jan 24-26, 2021 (approve in Oct)

NCPERS Legislative Conference, Renaissance Washington DC, Washington DC

Feb 24-26, 2021 (approve in Oct)

NAPPA –Winter conference, Tempe, AZ

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

May 22-23, 2021 (approve in January)

NCPERS Annual Trustee Educational Seminar, Denver, CO

NCPERS Accredited Fiduciary Program (modules 1,2,3 & 4)

May 23-26, 2021 (approve in January)

NCPERS Annual Conference & Exhibition, Denver, CO

June 21-23, 2021 (approve in January)

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

June 22 - 25, 2021 (approve in April)

NAPPA –Legal Education Conference, Denver, CO

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

June 27-30, 2021 (approve in January)

115th Annual GFOA Conference, Chicago, IL

July 18-21, 2021

NCGFOA, Holiday Inn, Wrightsville Beach, NC

Aug (TBD), 2021 (approve in April)

Annual NASRA Conference, Pittsburgh, PA

ELECTION TIMETABLE/CHECKLIST

Active Member Trustee Election of December, 2020

7/23/2020	Request approval from Board of Trustees to approve new Election Regulations
10/1-10/9/2020	First notice of election to Qualified Active Members (within 1 st 7 business days in October)
10/23-10/29/2020	Second notice of election to Qualified Active Members (at least 10 business days after 1 st notice, but no more than 14 business days after 1 st notice)
11/5/2020	Request for Candidacy forms must be submitted to System Administrator by Noon (vendor needs 10 business days before ballots can be distributed)
11/19/2020	Intelliscan distributes ballots to Qualified Active Members
12/16/2020	Ballots due to Intelliscan no later than 5pm ET
12/18/2020	Sealed ballot results opened and verified in Retirement System office. Administrator certifies winner of election or need for run-off election

BOARD GOVERNANCE

Board Calendar

Annual Topics		Q1 (July)	Q2 (Oct)	Q3 (Jan)	Q4 (April)
Topic	Description				
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 (July)	Q2 (Oct)	Q3 (Jan)	Q4 (April)
Topic	Description				
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 2015 (period ending 6/30/14)				
Asset Liability Study	Performed every 5 years. Last study Callan 2013				
Vendor Review	Investment Consultant, Actuary; Auditor (function of City in collaboration with CFRS)				

BENEFITS COMMITTEE REPORTS



BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

TO: The Board of Trustees

FROM: Melinda Manning, Chair Scott Greer Ryan Pope
Sheila Simpson Lee Thompson

RE: BENEFITS COMMITTEE REPORT

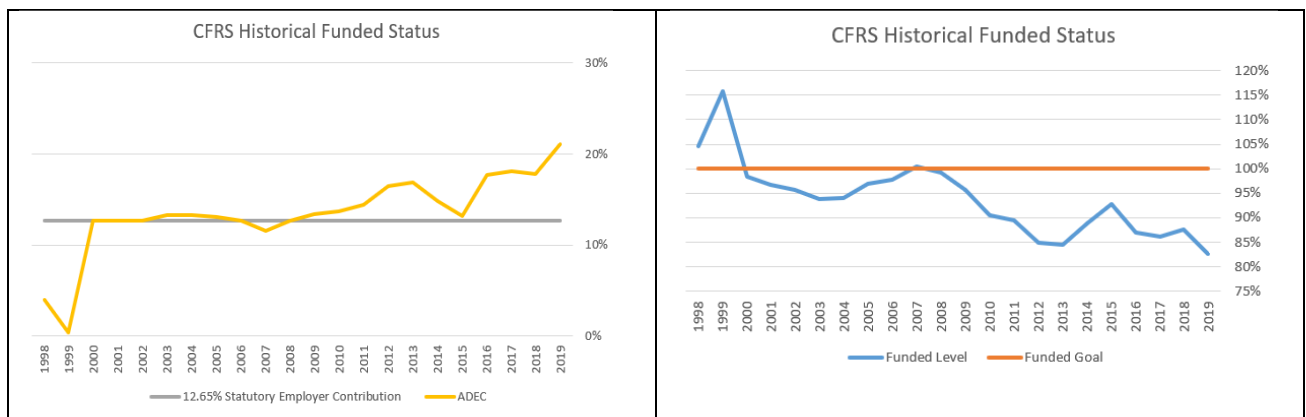
Summary of meetings since the May 28, 2020 Board Meeting:

- June 11, 2020 – Pension Review Project; Act Amendments; Leave without Pay; Committee Charter
- July 9, 2020 – Pension Review Project; Act Amendments; Committee Charter

DISCUSSION:

1. Pension Review Project /Act Amendments

- a. For many years, the Contributions were sufficient to pay benefits promised. However, Active membership plateaued beginning in 2010 creating a stagnant funding source. The number of Members receiving benefits from the plan will soon exceed the number of Members contributing to the Plan. Recently, the City enhanced firefighters' benefits which in turn increases firefighters' retirement benefits and plan costs. At current contribution levels, the ADEC continue to rise and the funded level continues to decline.



(See Funding- final.ppt included with Benefits Committee Report)



BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

- b. The Board sanctioned CBIZ to perform a comprehensive study of the Act and the benefits generated in addition to the annual valuation performed by the System's actuary. The Pension Review Project by CBIZ, presented to the Board in July 2018, fulfilled fiduciary obligations for the System's periodic review of its hired actuary and to assess the long-term stability of the plan. The Study also provided the catalyst to a holistic approach of reviewing the Act for updates, not just for a funding amendment.
 - i. CBIZ identified areas of funding concerns:
 - Contribution levels inadequate for long-term funding
 - Antiquated Amortization Method
 - Cost Drivers
 - a. Compensation/Overtime/Final Average Period
 - b. Unused Vacation and Sick
 - c. Cost of Prior Military Service Purchase
- b. The Benefits Committee was assigned the review of the findings coupled with the concerns noted from Cavanaugh Macdonald, the System's actuary:
 - Contribution levels inadequate for long-term funding
 - Antiquated Amortization Method
 - Unused Sick time adding more to service time
- c. The Benefits Committee has spent the past two years reviewing various actuarial reports including the CBIZ Pension Review Project, analyzing the effects of compensation including overtime to benefits, reviewing LGERS benefits and contribution levels in comparison to CFRS', and working collaboratively with the Plan Sponsor to implement long-term funding goals.
 - i. In FY19, the Plan Sponsor gave an additional \$1M in Employer Contributions in excess of the statutory requirement.
 - ii. An increase to Employer Contributions to 14% was approved by City Council to be effective with FY2020. This was another step taken toward funding the ADEC and was the first permanent increase in 30 years!

MOTION: To amend the Act to increase the Employer Contribution rate to 14% effective 7/1/2020, 16% effective 7/1/2021, 18% effective 7/1/2022, 20% effective 7/1/2023, 22% effective 7/1/2024, and 24% effective 7/1/2025; and further, not to exceed the ADEC in any given year but no less than 14%.



BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

2. The Benefits Committee also discussed the other areas identified with the Pension Review Project and aspects raised by the Plan Sponsor to help control plan costs.

Options	Benefit Committee Decision	Board or Sponsor	Act Amendment	Act Section	Reason
Remain Status Quo	Not an option	Board/ Sponsor	No	N/A	Does not comply with fiduciary responsibility
Remain Status Quo & Bill Sponsor for Cost of Enhanced Benefits	Not an option	Board/ Sponsor	Yes	25	The ADEC includes all costs
Lower the Interest Rate applied to Return of Contributions	Yes, amend the Act	Board/ Sponsor	Yes	11(b); 21(a)	Outdated
Change Cost Basis for Military Purchases	Yes, amend the Act	Board/ Sponsor	Yes	7(a)	Consistency with all three types of prior service purchase costs
Restrictions (70 1/2 distribution rule)	Yes, amend the Act	Board/ Sponsor	Yes IRS Mandate (SECURE Act)	51(5)	IRS Mandate
Increase Employee Contribution	Option not supported by Benefits Committee	Sponsor	Yes	4, 24	The ADEC is the Sponsor's responsibility
Change Definition of Compensation (Base Salary only)	Option not supported by Benefits Committee	Sponsor	Yes	2(9)	Sponsor needs to determine what benefits to provide employees and at what cost
Limit/Cap Compensation for Final Average Salary	Option not supported by Benefits Committee	Sponsor	Yes	2(9)	Sponsor needs to determine what benefits to provide employees and at what cost
Change Final Average Salary Period to 3 or 4 yrs vs 2yr	Option for City to Evaluate, Benefits Committee not opposed	Sponsor	Yes	2(11)	Sponsor needs to determine what benefits to provide employees and at what cost



BENEFITS COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

MOTION: To approve recommendations for Act amendments for

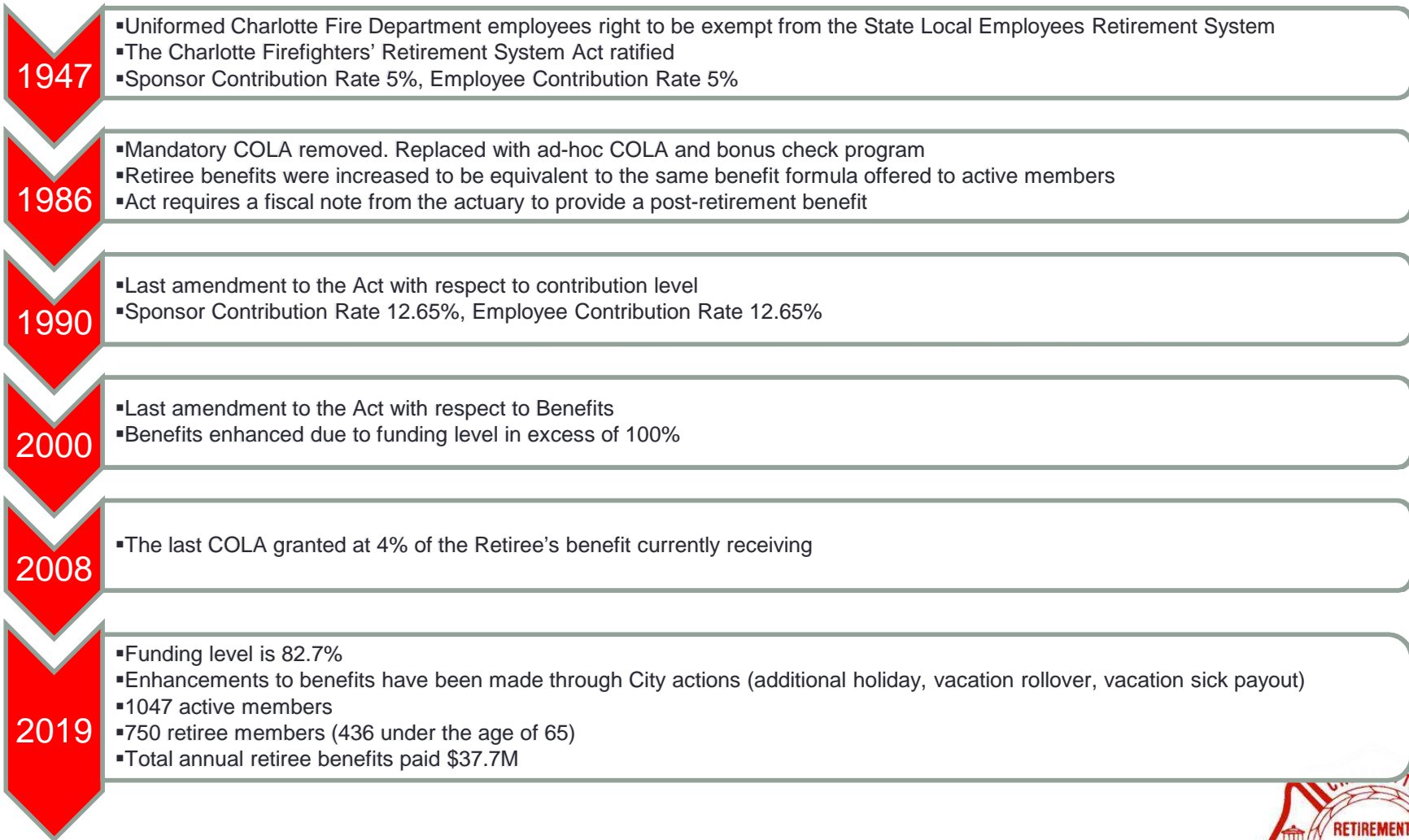
- 1) Return of Contribution Interest Rate,
 - 2) Military Service Purchase Cost,
 - 3) IRS Mandate of 70 ½ Distribution Rule requirements under the SECURE Act and further; provide the Plan Sponsor with the following options for their cost benefit analysis and decisions:
 - a) Increase Employee Contribution
 - b) Change Definition of Compensation (i.e.- Base Salary only)
 - c) Limit/Cap Compensation used in Final Average Salary
 - d) Change Final Average Period from 2 years to 3 or 4 years
3. The Benefits Committee is continuing the review of the amendment language based on decisions made at today's meeting as well additional housekeeping items to include but not limited to capitalization and punctuation.
4. The Benefits Committee Charter has been assigned for review. Staff is working with legal counsel for review of statute language and coordination of general language used in the Investment Committee Charter.

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



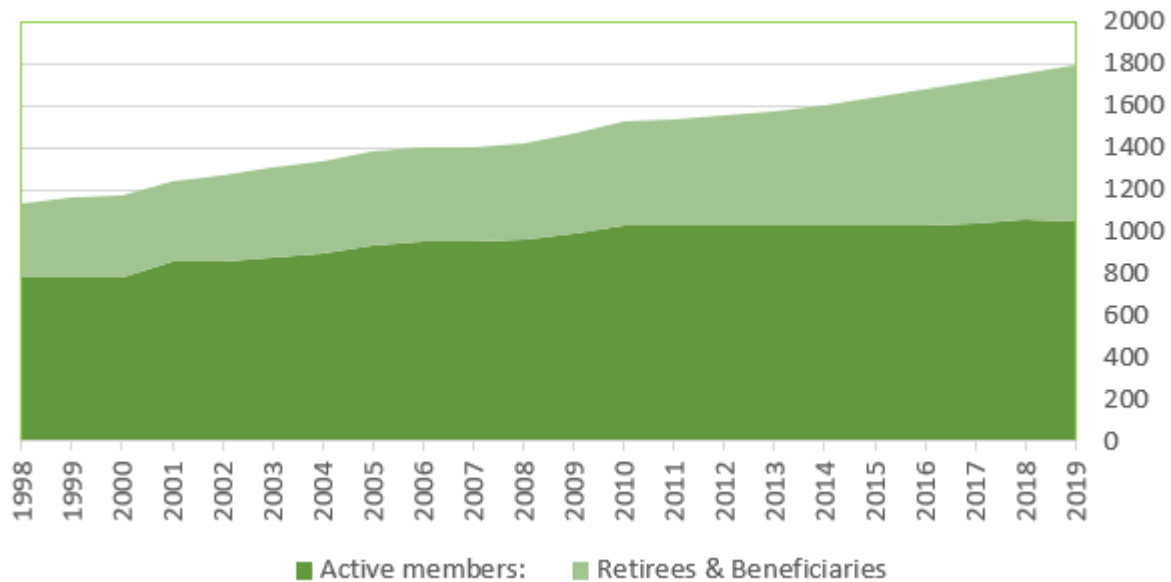
*CFRS Funding
2020*

CFRS Funding History



Demographic Shift

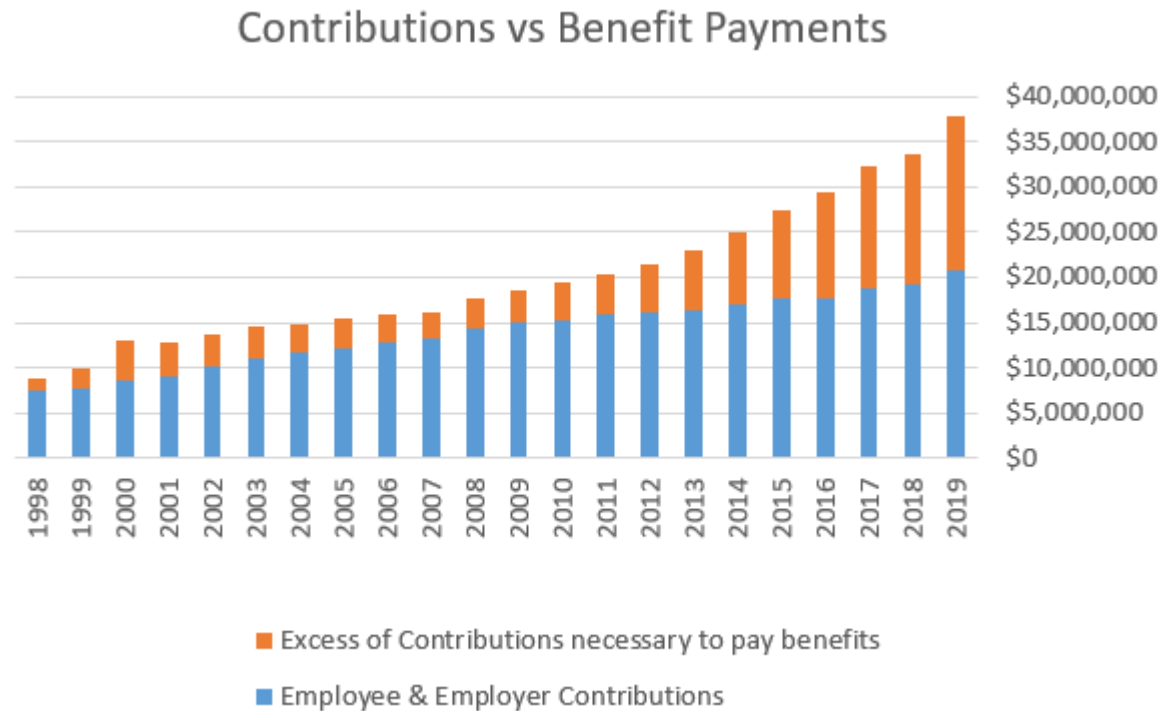
Retirees vs Active Population



- Active membership plateaued beginning in 2010 creating a stagnant funding source.
- The number of Members receiving benefits from the plan will soon exceed the number of Members contributing to the plan.



Contributions vs Benefit Payments



Total contributions have not kept pace with the total of retiree benefit disbursements



Contribution Comparison

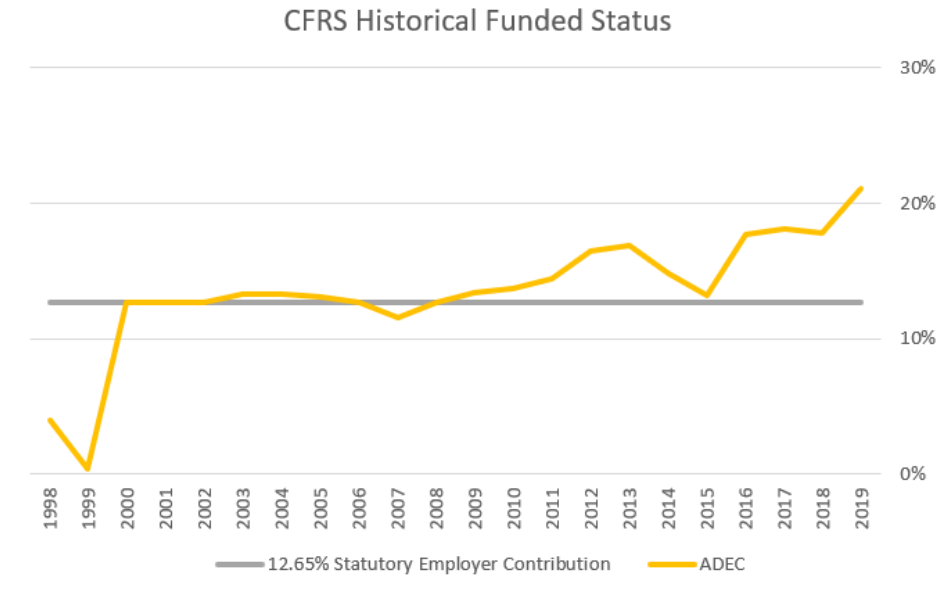
	CFRS			LGERS			LEO		
	Employee	Employer	Total	Employee	Employer	Total	Employee	Employer	Total
2019	12.65%	12.65%	25.30%	12.20%	15.15%	27.35%	12.20%	15.90%	28.10%
2020	12.65%	12.65%	25.30%	12.20%	16.35%	28.55%	12.20%	17.10%	29.30%
2021	12.65%	12.65%	25.30%	12.20%	17.55%	29.75%	12.20%	18.30%	30.50%

- Neither the CFRS members nor the Employer contribute to Social Security. Currently, contribution levels are statutorily bound to a 12.65% fixed amount for both member and employer.
- LGERS/LEO participants and Employer each contribute 6.2% to Social Security.
- LGERS & LEO 2021 Employer Contribution rates are based on the State’s Employer Contribution Rate Stabilization Policy (ECRSP) and subject to change by 50(+/-) basis points based on that year’s valuation. Also subject to increase if the NCGA grants a COLA above the Board’s granted COLA amount.

While there is parity of benefits between all three types of City employees, the City contributes considerably less to the CFRS, impacting funded status.



Contribution Rate vs Funding Rate



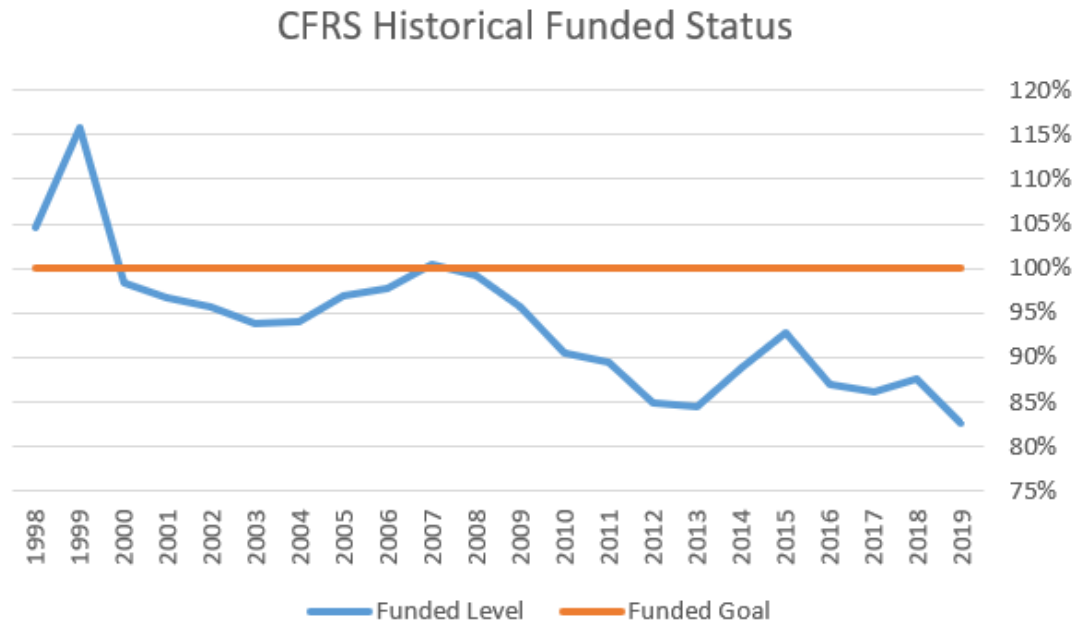
*ADEC (Actuarial Determined Employer Contribution) Is the total Employer Contribution rate needed to fund the plan

- 2000- Benefit enhancements
- 2008/2009- Market crisis
- 2016- Updated mortality table and rate of return on investments lowered
- 2019- Current ADEC of 21.04%
- 2020- Updating mortality table and lowering rate of return will raise ADEC over 26%.

Investment Returns are no longer sufficient to support the cost of the plan



Funded Status History



- Prior to 2008, statutory funding was sufficient to keep the plan well funded based on the then assumed rate of return of 7.75%.
- The 2008-09 market crash had a negative impact on the fund but recovered into the low 90% funded range by 2015.

The decline in funding level is largely driven by: lower mortality rate, lower investment returns, and lower percentage of actives to retirees.



Items That Impact The Funded Status

- The rate of return on fixed income investments did not return to the long-term average since the 2008/2009 financial crisis and thus reduced potential future total fund returns.
- Strategic use of vacation in lieu of holidays, overtime and sick leave combined with a two-year averaging method allowed members to increase their benefits beyond what may have been expected.
- The City added an additional holiday (Veteran's Day) which increases potential benefits.
- The City changed the 2-year maximum vacation carry-over policy for excess vacation days from "use it or lose it" to a rollover into sick hours which adds to a Member's benefit and is not funded.
- The City reached a settlement with certain CFD retirees related to the payout of their unused vacation and sick time. This caused an increase to their retirement benefit. The City subsequently changed the value of the vacation and sick payout for all active firefighters which increases their future benefit.
- The assumed rate of return was lowered from 7.75% to 7.5% in 2016 to be more reflective of anticipated market conditions. The actuary is currently recommending the rate of return be lowered further. The CFRS Board of Trustees is preparing to approve lowering the rate of return from 7.5% to 7.25%.



Measures Taken To Address Funding Status

- All expenses were reviewed. Action was taken to reduce administrative costs and investment fees and are continually monitored. Over the past three years, the CFRS has realized savings of over \$100,000/year in administration costs.
- A comprehensive analysis was conducted to determine the long-term sustainability of the plan. Concerns over the level of contribution rate, overtime use, military purchase cost and vacation and sick time were identified.
- Collaborative discussions with the City's budget office have resulted in an additional \$1M contribution by the City in FY20 and potentially \$1.1M annually thereafter beginning FY21. However, these additional contributions are not at a level necessary to achieve long-term funding goals.



Conclusion

- Contribution levels are significantly less than necessary to fund future benefits.
- An aggressive approach to funding the full Actuarial Determined Employer Contribution (ADEC) needs to be adopted by the City. However, the City faces budgetary constraints that may make it difficult to fully fund the ADEC immediately. A phased approach may be necessary to achieve the ultimate funding goals.
 - Collaborative discussions have taken place between the CFRS Board and the City.
- Using a phased approach does increase the ultimate funding level.
 - In FY20, the City provided an additional \$1M lump sum in addition to the statutory Employer Contribution.
 - In FY21, the City permanently raised the Employer Contribution by 1.35% in addition to the statutory Employer Contribution.
- The CFRS Board of Trustees administers the pension plan.
- The City of Charlotte sponsors the pension plan and is responsible for funding the plan to ensure benefits can be paid. The City determines benefits, compensation and work schedules.
- Any changes that increase (or decrease) benefits impact the contribution required to pay for such benefits.



INVESTMENT COMMITTEE REPORTS



INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

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 May 28, 2020 Board Meeting:

June 18, 2020 – Barrow Hanley (Domestic Fixed Income); State Street Global Advisors (Passive Domestic Fixed Income, Domestic Equity, and International Equity)

July 16, 2020 – AJO (Large Cap Value); Winslow Capital Management (Large Cap Growth)

DISCUSSION:

The Committee has actively been receiving 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, maintaining a focus on our long-term strategic investment plan is critical now more than ever.

ACTIVE DOMESTIC FIXED INCOME

Barrow Hanley reported business continuity successfully in place with almost all employees working from home. The bond market was battered in the first quarter by the Covid-19 pandemic and the cessation of global economic activity that followed. US Treasury yields collapsed in 1Q20. The 10-year Treasury fell 125 basis points and reached an all-time low on March 9, 2020. The yield curve steepened, and spreads widened. Unlimited quantitative easing and massive government sponsorship brought much needed support to the markets. As of May 31, 2020, the portfolio had beat its benchmark by 75 basis points with a return of 1.22% gross of fees. Barrow Hanley took advantage of opportunities created by the effects of the pandemic by selling off and buying high quality companies that they could not afford pre-pandemic.



INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

PASSIVE DOMESTIC & INTERNATIONAL EQUITY & DOMESTIC FIXED INCOME

State Street manages three passive-index funds for the CFRS which each replicate different indices used in Investment Policy Statement. Business continuity testing has been performed throughout the years and currently 95% of staff are working from home. As of May 31, 2020, the portfolio consisted of \$39.8M in Russell 1000 Index Fund, \$43.9M in MSCI EAFE Index Fund, and \$31.4M in the Passive Bond Market Index Fund for a combined passive total of \$115M. Securities lending provided approximately \$20K which provided an offset to their management fees.

LARGE CAP GROWTH

Winslow Capital Management reported business continuity during Covid-19 was seamless. The portfolio outperformed in the down-market of Q1 and the up-market of Q2. Their year-to-date 2020 gross of fee return of 12.7% beat their benchmark return of 9.8%. Given the market volatility, portfolio turnover was higher than normal but the portfolio was well-positioned to benefit in both extreme market environments. As a result of the continued strong performance in the technology sector, the individual weightings of Amazon and Microsoft within their portfolio, and within their benchmark, have drifted above the 8% maximum position size allowed in the CFRS investment guidelines. During the review meeting, Winslow reported that they had not actively increased the position size of either stock beyond the guideline's limitation. The increase was solely due to each stock's performance. As of July 13, 2020, Amazon and Microsoft weightings have drifted to 9.8% and 8.8% respectively compared to their benchmark weights of 8.72% and 10.28% respectively. The Committee determined that Winslow should not be penalized relative to their benchmark for these two companies on which they have a positive outlook. The Investment Policy Statement allows for exceptions to be given to any manager if short-term market conditions warrant.

MOTION: To allow Winslow to temporarily exceed the maximum 8% position weighting for Amazon and Microsoft with monthly review and monitoring by the Investment Committee.

LARGE CAP VALUE

AJO provided a firm update which included Gina Moore being named as Co-CEO with Ted Aronson along with the creation of a new CIO position and an additional Research Analyst hire. These changes are part of AJO's initiatives to improve their investment performance. The value style did not drag down the portfolio this quarter as it has recently. AJO was able to post positive relative returns while staying true to their investment philosophy and processes. The portfolio is extremely well-diversified with percentage of stocks ranging from 0.03% to 2.97%. AJO also holds Amazon and Microsoft within the CFRS portfolio even using their value



INVESTMENT COMMITTEE REPORT

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

philosophy. With the global strengthen of technology platforms, these companies meet all of the pillars of their investing philosophy.

COMMITTEE CHARTER REVIEW

The Committee reviewed its Charter and discussed several changes which were incorporated.

MOTION: The Committee recommends the Board approve the Investment Committee Charter as edited by the Investment Committee.

WATCH LIST

Morgan Stanley Emerging Markets Equity remains on the Watch List given the recent performance-related issues in 1Q 2020. While AJO Large Cap Value showed performance improvement in 2Q 2020, they remain on watch for continued monitoring. UBS Realty also remains on watch due to recent team changes and performance concerns.

CASH LIQUIDATION FOR OPERATING EXPENSES

The Committee approved a \$4M cash liquidation request to pay benefits and administrative expenses per the Board's budget approval. Based on the June 30 asset allocation report provided by Staff, the Committee determined that Winslow Capital Management would be the best source of funds for the \$4M withdrawal.

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.

**SCHEDULE OF PORTFOLIO ALLOCATION
AS OF June 30, 2020**

TARGET ALLOCATION	MANAGER	INCEPTION DATE	Liquidation Notice	CFRS MEETING	TARGETED ALLOCATION AS OF 06/30/2020	MARKET VALUE AS OF 06/30/2020	MARKET VALUE AS % OF TOTAL PORTFOLIO	VARIANCE	AUTHORIZED ALLOCATION RANGE	ADJUSTED COST AS OF 06/30/2020	MKT/COST VARIANCE
DOMESTIC STOCK:											
7.2%	ARONSON + JOHNSON + ORTIZ (LARGE CAP VALUE)	11/2005	T+3 Sweep	July	40,132,059	35,544,891	6.377%	(4,587,169)		36,220,198	(675,308)
7.2%	WINSLOW (LARGE CAP GROWTH)	12/2007	T+3 Sweep	July	40,132,059	48,072,638	8.625%	7,940,578		26,614,799	21,457,839
3.6%	MFS INVESTMENT MANAGEMENT (MID CAP GROWTH)	11/2019	T+4 Sweep	Jan	20,066,030	23,147,693	4.153%	3,081,663		18,938,665	4,209,028
3.6%	ROBECO INVESTMENT MGMT., INC. (MID CAP VALUE)	04/1998	T+3 Sweep	Jan	20,066,030	18,191,267	3.264%	(1,874,763)		18,547,592	(356,326)
3.6%	EAGLE ASSET MANAGEMENT (SMALL CAP GROWTH)	09/2010	T+3 Sweep	March	20,066,030	23,299,476	4.180%	3,233,446		16,443,271	6,856,205
3.6%	INV COUNSELORS OF MARYLAND (Small Cap Value)	12/1993	T+1 Wire	March	20,066,030	17,150,106	3.077%	(2,915,923)		21,156,720	(4,006,613)
7.2%	SSgA RUSSELL 1000 INDEX	11/2015	T2	June	40,132,059	40,725,986	7.307%	593,927		24,707,007	16,018,979
36.0%	SUBTOTAL				200,660,296	206,132,056	36.982%	5,471,760	31% - 41%	162,628,252	43,503,804
INTERNATIONAL EQUITIES:											
8.6%	MORGAN STANLEY (CORE)	09/1990	T+1 Wire	April	47,935,515	46,910,769	8.416%	(1,024,746)		2,938,953	43,971,816
4.8%	MORGAN STANLEY (EMERGING MARKETS)	02/1995	T+1 Wire	April	26,754,706	24,534,289	4.402%	(2,220,417)		15,504,331	9,029,958
4.0%	T ROWE PRICE INTL (SMALL CAP)	10/1990	T+1 Wire	April	22,295,588	25,763,892	4.622%	3,468,303		16,499,044	9,264,848
8.6%	SSgA EAFE INDEX	11/2015	T2 Notification	June	47,935,515	45,410,417	8.147%	(2,525,098)		37,725,323	7,685,094
26.0%	SUBTOTAL				144,921,325	142,619,366	25.587%	(2,301,959)	22% - 30%	72,667,650	69,951,716
REAL ESTATE:											
6.0%	UBS TRUMBULL PROPERTY FUND	10/2012	1st Business Day of Quarter Quarterly, 45 Day notice	Oct	33,443,383	29,314,153	5.259%	(4,129,230)		24,029,591	5,284,562
4.0%	JPMORGAN CHASE STRATEGIC PROPERTY FUND	04/2016	1st Business Day of Quarter Quarterly, 45 Day notice	Oct	22,295,588	21,151,539	3.795%	(1,144,049)		19,636,416	1,515,124
10.0%	SUBTOTAL				55,738,971	50,465,692	9.054%	(5,273,279)	7% - 13%	43,666,006	6,799,686
DOMESTIC FIXED INCOME:											
17.3%	BARROW HANLEY (CORE PLUS)	04/2003	T+3 Sweep	June	96,149,725	97,438,026	17.481%	1,288,301		88,594,800	8,843,226
5.8%	SSGA BARCLAYS CAPITAL AGGREGATE (INDEX FUND)	12/1999	T2	June	32,049,908	31,630,374	5.675%	(419,535)		15,467,626	16,162,747
23.0%	SUBTOTAL				128,199,634	129,068,400	23.156%	868,767	19% - 27%	104,062,426	25,005,974
INTERNATIONAL FIXED INCOME:											
5.0%	COLCHESTER	02/2017	1st of Month Openings	Sept	27,869,486	25,947,081	4.655%	(1,922,405)		22,865,965	3,081,116
5.0%	SUBTOTAL				27,869,486	25,947,081	4.655%	(1,922,405)	3% - 7%	22,865,965	3,081,116
INTERNAL ACCOUNT:											
	INTERNAL				0	3,157,116		3,157,116		3,157,116	
0.0%	SUBTOTAL				0	3,157,116		3,157,116	0.0%-0.0%	3,157,116	
100%	TOTAL ASSETS				\$ 557,389,711	557,389,711	99%	0		409,047,416	\$ 148,342,295

All Market and Cost values are reflective of USBank report as of 3rd business day close, unless other wise noted below

Real Estate values are as of the end of a quarter

Updated Market Value 07/13/2020 for IM reports from State Street Russell 1000, EAFE Index, & Barclays Capital Aggregate (Bond); T. Rowe Price; JPMCB; Colchester; and Morgan Stanley Emerging Mkts and CORE

Updates are for Market Value only for T. Rowe Price, JPMCB, Colchester, and Morgan Stanley Emerging Mkts & CORE

*Percentage of total market value does not include the cash account

**BOARD OF TRUSTEES
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM
INVESTMENT COMMITTEE CHARTER**

~~Adopted April 2017~~ ~~APRIL 2017~~

~~{Revised July XX, 2020}~~

WHEREAS, the Charlotte Firefighters' Retirement System (System) was established pursuant to the provisions of Chapter 926 of the 1947 Session Laws, as amended, for the purpose of providing 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, the general administration, management and responsibility for the proper operation of the System are vested in the Board of Trustees (Board); and

WHEREAS, the Board is the designated trustee of the funds and assets of the System and is vested with the authority, responsibility and full power to hold, purchase, sell, assign, transfer, lend and dispose of any of the securities and investments in which the System shall have been invested, as well as the proceeds of said investments and any monies belonging to the System; and

WHEREAS, the Board has the authority to adopt the rules and regulations for the administration of the System and for the transaction of its business, and to utilize the services of Investment Fiduciaries to manage the assets of the System; and

WHEREAS, the Board wishes to delegate certain duties and authority to the Investment Committee, a standing committee of the Board; now

THEREFORE, BE IT RESOLVED, that the Board hereby continues the Investment Committee and adopts the following Charter, which may be amended from time to time by formal action of the Board:

CHARTER
INVESTMENT COMMITTEE
BOARD OF TRUSTEES

PURPOSE

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

DEFINITIONS

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

- a) "Act" means 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 Investment Committee.
- d) "Fund" means collectively, the System's monies and investments.
- ~~e) "Funding Policy" means that certain [TBD] Policy Statement of Funding Goals, Objectives and Guidelines, as may be amended by the Board from time to time.~~
- f)e) "Investment Policy" means that certain Policy Statement of Investment Goals, Objectives and Guidelines, as may be amended by the Board from time to time.
- g)f) "System" means the Charlotte Firefighters' Retirement System.

ROLE

The Committee is charged to oversee the System's investment and funding programs as relates to investments and related assumptions. Committee members, as ~~Trustees~~ Trustees and fiduciaries, shall: 1) discharge their duties solely in the interest of the Members, Retirees and Beneficiaries, and 2) 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.

MEMBERSHIP

The Committee shall consist of five ~~Trustees~~ Trustees appointed by the Chairperson of the Board ("Chairperson"), except that one of the five shall be the System's Treasurer, an ex officio member. 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.

MEETINGS

The Committee shall generally meet once a month and may convene more or less often as circumstances require. Meetings shall conform with the "Open Meetings Law," Article 33C of Chapter 143 of the General Statutes, G.S. 143-318.9, et seq., as amended. Committee members may attend 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. The Committee eChairperson (or the eChairperson's designee in the event of his or her absence) shall preside at all meetings of the Committee.

A majority of the Committee shall constitute a quorum for the transaction of business at any meeting thereof. If there are only three 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.

The Committee eChairperson in consultation with the System's Administrator shall set the agenda for each meeting of the Committee. Meeting agendas will be distributed in advance of the meeting. System Staff shall supply Committee members with information related to the items contained in the agenda prior to the meeting. -The System's Administrator shall attend and participate in Committee meetings at the pleasure of the Committee.

The Committee shall keep minutes of its proceedings and shall provide regular reports on its activities and recommendations to the Board.

DUTIES

The Committee shall have the following advisory and administrative duties:

1. Advisory Duties-

- a) Periodically review the Investment Policy, ~~the Funding Policy(TBD)~~ and this Charter, and recommend changes where appropriate.
- b) Periodically evaluate service providers (e.g., investment consultant, actuary, custodian) and recommend retention or replacement.
- c) Periodically review the actuarial assumptions, both economic and demographic, and recommend changes where appropriate.
- d) Recommend special studies (e.g., asset-liability study, actuarial experience study) as may be appropriate from time to time.

2. ~~Administrative Duties~~—Investment Program-

- a) Oversee the System's investment program, ensuring compliance with the Investment Policy, including approval of Fund transactions and ability to grant temporary exceptions to the Investment Policy if market conditions warrant, in accordance with the Committee's scope of authority.
- b) Conduct investment manager / fund searches as needed.
- c) Monitor performance of the individual investment managers / funds in accordance with the Investment Policy.
- d) Evaluate the performance of the Fund quarterly based on a comparison of actual return with the System's absolute return objective and with other benchmarks stipulated by the Investment Policy.
- e) Review all investment-related fees incurred by or on behalf of the System for reasonableness.

3. ~~Administrative Duties~~—Funding Program

- a) Monitor the System's funding program, ~~ensuring compliance with all elements of the Funding Policy(TBD)~~.
- b) Identify key risk areas and devise methods or metrics for monitoring associated experience development. "Risk" refers to events that may be reasonably anticipated to adversely affect the System's future financial condition.
- c) Recommend accommodative 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.

OVERSIGHT & REPORTING

The Board shall maintain direction and oversight of the Committee's activities. The Board's direction shall be accomplished primarily through establishment of the Investment Policy ~~and the Funding Policy(TBD)~~, as well as review of regular reports of the Committee's activities at meetings of the Board. Any action(s) taken, not taken or deferred in accordance with this Charter or Board guidance shall be reported to the Board at the next meeting of the Board following such action(s).

~~Adopted Revised July 16, 2020~~Month-Day, Year

ADMINISTRATIVE REPORTS



ADMINISTRATOR REPORT
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

TO: The Board of Trustees

FROM: Sandy Thiry, Administrator

RE: ADMINISTRATION

- **FINANCIAL STATEMENTS**
 - Estimated FYE20

- **FYE20 ACTIVITIES**
 - Preparing annual valuation data files for active and retired members
 - Reviewing FY20 accruals and reversing journal entries
 - Preparing FYE20 investment holdings file for CFRS' and City's financial reporting

- **COVID-19 / OFFICE OPERATIONS**
 - Work from Home status
 - All operations continue uninterrupted
 - CNB continues to be locked down from public access

- **MEMBER EDUCATION**
 - On site visits to be rescheduled

- **PUBLIC RECORDS REQUESTS**
 - 1Q2020 to current alternative investment (incl real estate/REITS) years invested, draw downs, distributions, internal rate of returns, management fees paid- PitchBook Data, Inc
 - Number of retirees who have retired at or above 100% of salary for the past 10 years, hire date/retire date of each firefighter, calculations used for each firefighter, the years used to calculate final average salary for each firefighter- Clay Morris

- **RESEARCH ITEMS**
 - Conference room acoustics – Pending due to COVID19 and virtual meetings
 - Costs range from hundreds to thousands of dollars for sound system/amplifier
 - Serving one or multiple persons?
 - Concerns with noise disruptions to adjacent companies
 - Concerns with volume and Closed Session privacy compliance
 - Applicability/use of Robert's Rules
 - Board has not adopted
 - Board subject to NC Open Meetings Statutes
 - RNC leasing opportunities
 - Opportunity no longer exists



ADMINISTRATOR REPORT
CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

JULY 23, 2020

○ **OFFICE STATS**

- Security Litigation (see graphics Exhibit A)
- Phone Metrics – April 01, 2020 to June 30, 2020 (see graphics Exhibit B)
- Employee Portal Metrics April - June (see graphics Exhibit C)
 - Retiree Communication (Exhibit D- currently under construction, delayed due to COVID/working from home)

Exhibit A – Security Litigations

Filings Aug 1, 2018 - Jun 2020		Market Loss	Recognized Loss	Settlement Fund ⁽¹⁾	% of Loss to Settlement Fund	Gross Recovered	FRT fee 15%	Net Recovered
# of Claims Filed	33		\$419,721	\$2,385,427,865	0.018%	\$0	\$0	\$0
# of Claims Paid ⁽²⁾	3	\$416,170				\$6,958	\$1,044	\$5,914
# of Claims Rejected	5							
Total	41							
# of Antitrust Cases	2			\$386,500,000		\$0	\$0	\$0
Rejection Reason								
Filed too late	0							
No recognized loss	5							

⁽¹⁾ Settlement Fund comprises the total amount of all lawsuit settlements for distribution to plaintiffs

⁽²⁾ No pending settlement claims this quarter

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

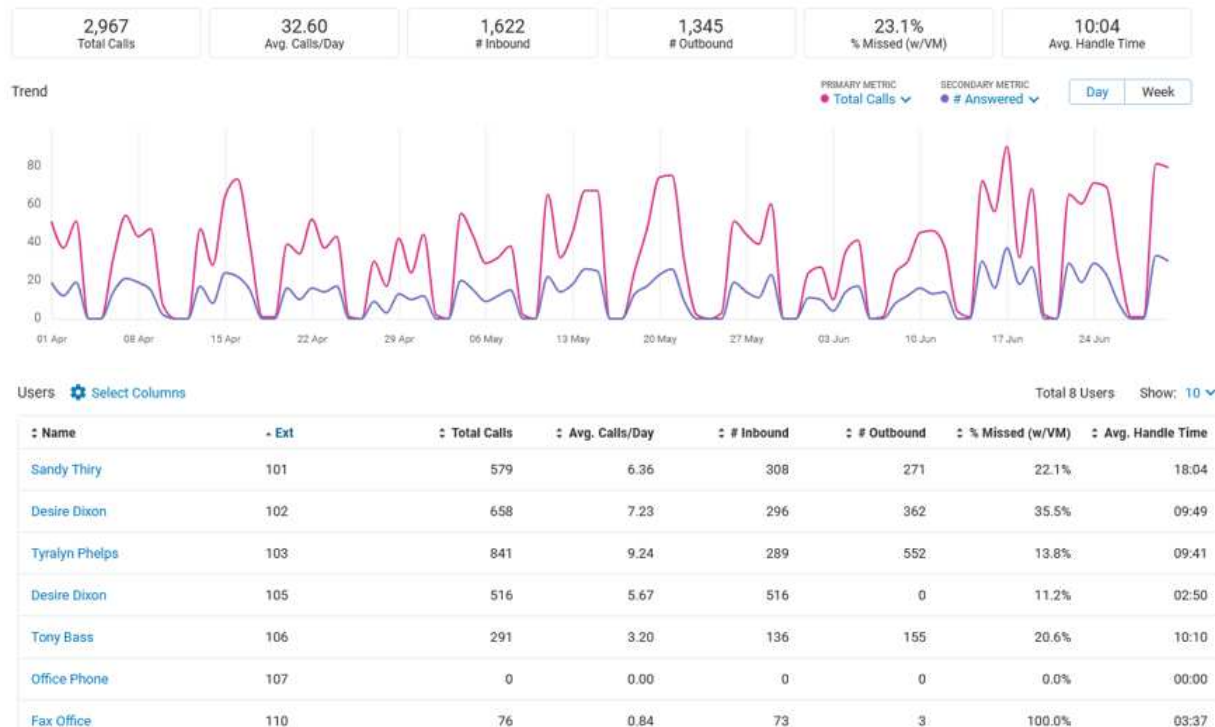




Exhibit C – Employee Portal Metrics (Rolling 12 month as of June 30th)

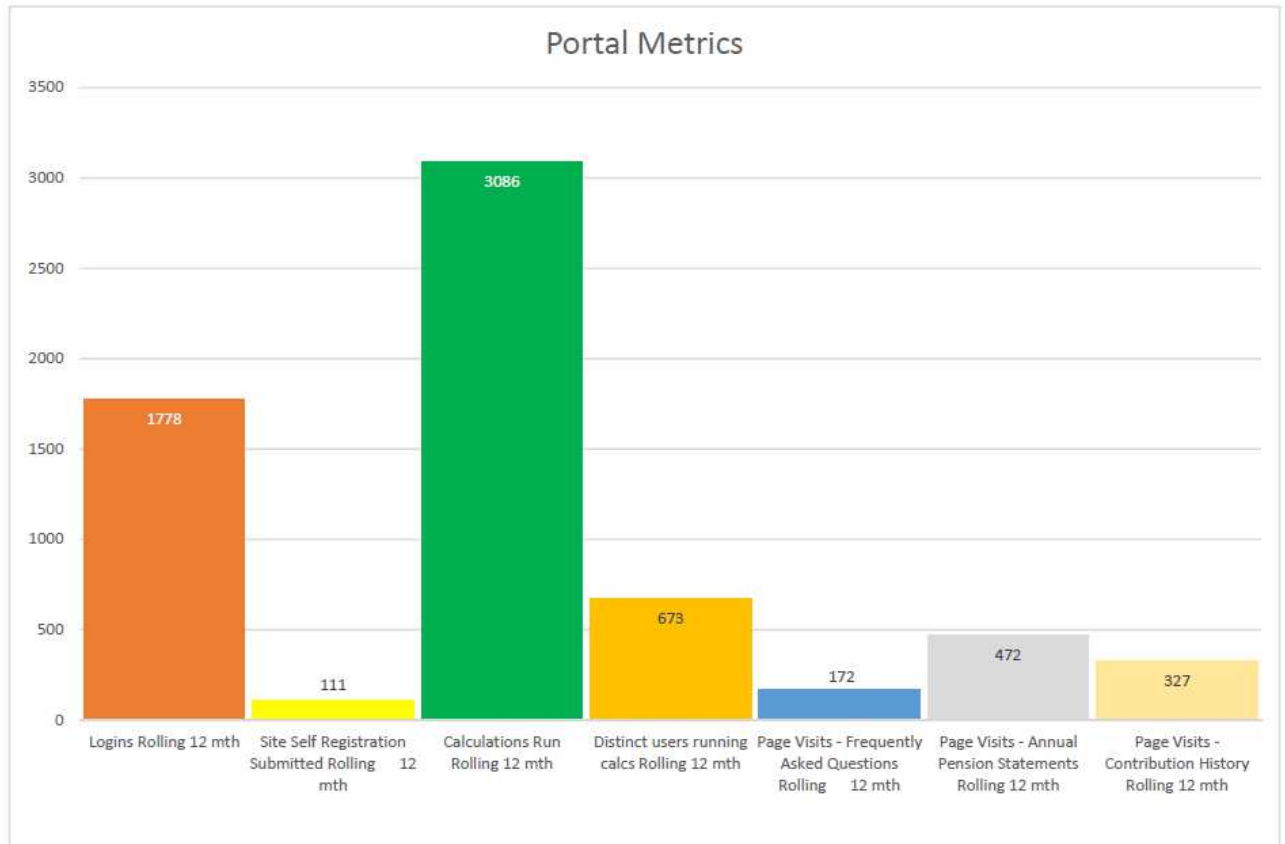


Exhibit D (Under construction)

- Articles typically sent on Tuesdays & Fridays to mitigate internet traffic jams and manage staff resources
- Death announcements sent as soon as administratively possible
- Death announcements and Drop Ins – highest volume of views

Charlotte Firefighters' Retirement System

07/16/20

Balance Sheet

Accrual Basis

As of June 30, 2020

	<u>Jun 30, 20</u>
ASSETS	
Current Assets	
Checking/Savings	
10000 · Cash	
10001 · Cash-Bank of America	142,768.18
10004 · Cash & CE- USBank	3,157,634.06
10013 · Petty Cash	303.30
Total 10000 · Cash	<u>3,300,705.54</u>
10011 · Cash Equivalents- USBank Other	4,615,920.52
Total Checking/Savings	<u>7,916,626.06</u>
Other Current Assets	
10300 · Other Receivables	599,816.81
10310 · Employee Contribution Receive	310,816.89
10320 · Employer Contribution Receive	343,987.03
12100 · Prepaid assets	9,028.53
Total Other Current Assets	<u>1,263,649.26</u>
Total Current Assets	<u>9,180,275.32</u>
Fixed Assets	
15000 · Capital Assets	
15001 · Office Condominium	437,975.42
15002 · Intangible Asset-Pen Admin Sys	231,825.00
15010 · Accumulated Deprec. & Amort.	-397,850.12
Total 15000 · Capital Assets	<u>271,950.30</u>
Total Fixed Assets	<u>271,950.30</u>
Other Assets	
18000 · Marketable Securities	541,052,154.74
Total Other Assets	<u>541,052,154.74</u>
TOTAL ASSETS	<u>550,504,380.36</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
27000 · Accounts Payable	
27020 · Refunds	108,025.17
27030 · Investment Fees	486,483.10
27040 · Consultant Fees	47,500.00
27060 · Administrative Fees	169,099.88
27080 · Contracts Payable	28,000.00
Total 27000 · Accounts Payable	<u>839,108.15</u>
Total Accounts Payable	<u>839,108.15</u>
Total Current Liabilities	<u>839,108.15</u>
Total Liabilities	<u>839,108.15</u>
Equity	
32000 · Fund Balance	558,868,590.51
Net Income	-9,203,318.30
Total Equity	<u>549,665,272.21</u>
TOTAL LIABILITIES & EQUITY	<u>550,504,380.36</u>

Charlotte Firefighters' Retirement System
Profit & Loss Budget vs. Actual DRAFT
 July 2019 through June 2020

	<u>Jul '19 - Jun 20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
43400 · Contributions				
43410 · Members	10,416,439.53	10,843,093.00	-426,653.47	96.07%
43440 · Employer	11,449,554.24	11,615,193.00	-165,638.76	98.57%
43450 · Purchase of Military Time	298,251.07	220,000.00	78,251.07	135.57%
43460 · Purchase of Other Gov. Service	55,307.77	280,000.00	-224,692.23	19.75%
Total 43400 · Contributions	<u>22,219,552.61</u>	<u>22,958,286.00</u>	<u>-738,733.39</u>	<u>96.78%</u>
45000 · Investments				
45010 · Interest	2,788,931.62	2,542,500.00	246,431.62	109.69%
45020 · Dividends- Trustee	4,194,168.90	3,695,000.00	499,168.90	113.51%
45021 · Dividends Other	412.54	1,200.00	-787.46	34.38%
45030 · Net Realized Gain/Loss-Trustee	9,806,727.43	41,193,000.00	-31,386,272.57	23.81%
45040 · Net Realized Gain/Loss- Mgr GU	134,346.59	260,000.00	-125,653.41	51.67%
45050 · Unrealized Gain/Loss	-5,184,882.63	0.00	-5,184,882.63	100.0%
Total 45000 · Investments	<u>11,739,704.45</u>	<u>47,691,700.00</u>	<u>-35,951,995.55</u>	<u>24.62%</u>
Total Income	<u>33,959,257.06</u>	<u>70,649,986.00</u>	<u>-36,690,728.94</u>	<u>48.07%</u>
Gross Profit	33,959,257.06	70,649,986.00	-36,690,728.94	48.07%

Charlotte Firefighters' Retirement System
Profit & Loss Budget vs. Actual DRAFT
 July 2019 through June 2020

Expense	<u>Jul '19 - Jun 20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
60900 · Participant Benefits				
60920 · Retirement	38,686,173.51	36,614,041.00	2,072,132.51	105.66%
60930 · Death	517,644.06	150,000.00	367,644.06	345.1%
60940 · Contribution Withdrawals	324,893.76	100,000.00	224,893.76	324.89%
Total 60900 · Participant Benefits	<u>39,528,711.33</u>	<u>36,864,041.00</u>	<u>2,664,670.33</u>	<u>107.23%</u>
62100 · Investment Services				
62110 · Management Fees				
62111 · Morgan Stanley	581,957.93	600,652.00	-18,694.07	96.89%
62112 · Aronson+Johnson+Ortiz	55,405.53	60,653.00	-5,247.47	91.35%
62114 · Barrow Hanley	243,142.91	231,753.00	11,389.91	104.92%
62115 · Robeco Investment Mgmt., Inc	99,871.09	251,183.00	-151,311.91	39.76%
62117 · Eagle Asset Management	154,468.76	168,160.00	-13,691.24	91.86%
62119 · Winslow Capital Management	285,556.15	207,030.00	78,526.15	137.93%
62122 · Inv. Counselors of Maryland	134,346.59	147,599.00	-13,252.41	91.02%
62123 · T. Rowe Price	240,333.37	234,341.00	5,992.37	102.56%
62125 · UBS Trumbull Property Fund	253,796.76	276,719.00	-22,922.24	91.72%
62126 · William Blair	54,253.84	181,652.00	-127,398.16	29.87%
62127 · SSGA Fixed Income	7,623.53	9,473.00	-1,849.47	80.48%
62128 · SSGA EAFE Index	21,758.07	27,944.00	-6,185.93	77.86%
62129 · SSGA Russell 1000	13,012.05	19,253.00	-6,240.95	67.59%
62130 · JPMorgan Chase	214,223.38	219,957.00	-5,733.62	97.39%
62131 · Colchester	153,646.00	134,565.00	19,081.00	114.18%
62132 · MFS	76,215.45	0.00	76,215.45	100.0%
Total 62110 · Management Fees	<u>2,589,611.41</u>	<u>2,770,934.00</u>	<u>-181,322.59</u>	<u>93.46%</u>
62139 · Transaction Fees	989.83	100.00	889.83	989.83%
62140 · Trust and Bank Fees	124,568.69	130,800.00	-6,231.31	95.24%
62150 · Consulting Fees	190,000.00	190,000.00	0.00	100.0%
Total 62100 · Investment Services	<u>2,905,169.93</u>	<u>3,091,834.00</u>	<u>-186,664.07</u>	<u>93.96%</u>

Charlotte Firefighters' Retirement System
Profit & Loss Budget vs. Actual DRAFT
 July 2019 through June 2020

	<u>Jul '19 - Jun 20</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
65000 · Administration				
65005 · Staff Wages and Benefits				
Total 65005 · Staff Wages and Benefits	388,098.04	379,000.00	9,098.04	102.4%
65010 · Travel and Training	30,695.03	94,825.00	-64,129.97	32.37%
65020 · Insurance	21,892.00	23,500.00	-1,608.00	93.16%
65030 · Parking	1,090.50	1,500.00	-409.50	72.7%
65040 · Auditing Services	13,000.00	13,000.00	0.00	100.0%
65050 · Condominium Fees	21,514.56	22,052.00	-537.44	97.56%
65060 · Postage	2,567.88	2,300.00	267.88	111.65%
65070 · Actuarial Services	36,925.00	25,500.00	11,425.00	144.8%
65080 · Annual Retiree Reunion	5,898.87	6,500.00	-601.13	90.75%
65090 · Legal Services	26,316.58	75,000.00	-48,683.42	35.09%
65100 · Printing Services	9,344.95	8,050.00	1,294.95	116.09%
65110 · Other Professional Services	97,000.58	93,845.00	3,155.58	103.36%
65120 · Telecommunications	4,348.75	4,601.00	-252.25	94.52%
65130 · Office Equipment Maintenance	2,759.12	3,230.00	-470.88	85.42%
65140 · Office/Computer Supplies	5,345.11	7,040.00	-1,694.89	75.93%
65160 · Meetings	7,069.28	8,000.00	-930.72	88.37%
65170 · Professional Memberships/Dues	4,885.00	5,700.00	-815.00	85.7%
65180 · Medical Services	4,125.00	16,550.00	-12,425.00	24.92%
65190 · Office Furniture/Equipment	689.55	3,500.00	-2,810.45	19.7%
65200 · Subscriptions and Publications	768.79	1,300.00	-531.21	59.14%
65220 · Miscellaneous/Contingency	0.00	15,000.00	-15,000.00	0.0%
65230 · Building Improvements	15,460.00	16,960.00	-1,500.00	91.16%
Total 65000 · Administration	<u>699,794.59</u>	<u>826,953.00</u>	<u>-127,158.41</u>	<u>84.62%</u>
Total Expense	<u>43,133,675.85</u>	<u>40,782,828.00</u>	<u>2,350,847.85</u>	<u>105.76%</u>
Net Ordinary Income	<u>-9,174,418.79</u>	<u>29,867,158.00</u>	<u>-39,041,576.79</u>	<u>-30.72%</u>
Other Income/Expense				
Other Expense				
80100 · Depreciation & Amortization	58,359.51	0.00	58,359.51	100.0%
Total Other Expense	<u>58,359.51</u>	<u>0.00</u>	<u>58,359.51</u>	<u>100.0%</u>
Net Other Income	<u>-58,359.51</u>	<u>0.00</u>	<u>-58,359.51</u>	<u>100.0%</u>
Net Income	<u>-9,232,778.30</u>	<u>29,867,158.00</u>	<u>-39,099,936.30</u>	<u>-30.91%</u>