

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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REGULAR BOARD MEETING MINUTES

July 28, 2022

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

STAFF: Sandy Thiry, Ty Phelps, Tony Bass, Sr. Assistant City Attorney Ld. Thomas Powers, Desiré Dixon - Virtual

ABSENT: Sheila Simpson

GUESTS: Suzanne Dugan – Cohen Milstein

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:00 a.m. The Annual Board Meeting took place in person, remotely by video conference and conference call. Attendance was taken by roll call.

Vanessa Heffron welcomed Suzanne Dugan from Cohen Milstein to the meeting. Suzanne will be the lead on the policies review project.

I. CONSENT CALENDAR

Joey Hager motioned to approve the Consent Calendar which consisted of the April 28, 2022 Board Meeting Minutes with minor edits, April 7, 2022 Disability Hearing Minutes, Schedule of Retirements, FY23 CFRS Meeting Calendar, and the Expense Reports. Ryan Pope seconded the motion. The motion carried unanimously.

II. BOARD OF GOVERNANCE

The Board Governance Calendar was reviewed. Policies & Regulations Review topic was added and will be updated as we move through the policies review project assisted by Cohen Milstein.

Sandy Thiry reminded the Board that the Code of Ethics form has been sent to trustees and staff ahead of the meeting. The Code of Ethics should be reviewed, signed and returned annually.

Elections of Officers – Vanessa Heffron advised the Board that nominations for Vice Chairperson and Secretary were in order.

Ryan Pope motioned to open the floor for nominations of the Vice Chair and Joey Hager seconded the motion. Motion carried unanimously. Ryan Pope nominated John Carr for Vice Chair. Joey Hager seconded the motion. Motion carried unanimously. Hearing no other nominations, Joey Hager motioned to close nominations of Vice Chair. Lee Thompson seconded the motion. Motion carried unanimously. Ryan Pope motioned to vote John Carr as Vice Chair. Matt Hastedt seconded the motion. Motion carried unanimously.

John Carr motioned to open nominations for Secretary. Teresa Smith seconded the motion. Motion carried unanimously. Joey Hager motioned to nominate Ryan Pope for Secretary. John Carr seconded the motion. Motion carried unanimously. Hearing no other nominations, John Carr motioned to close the nominations for Secretary. Teresa Smith seconded the motion. Motion carried unanimously. Matt Hastedt motioned to vote Ryan Pope for Secretary. Lee Thompson seconded motion. Motion carried unanimously. Congratulations were given to John Carr and Ryan Pope.

III. REPORTS

Investment Committee Report – John Carr

John Carr presented the updates from the Investment Committee since the April 28, 2022 Board Meeting. Over the First Quarter, the Total Fund returned -5.58% which underperformed the Custom Index return of -4.31% and ranked in the 86th percentile in the Callan Public Fund Sponsor Database. The Last Quarter and Last Year reporting periods lagged the benchmark due to the underperformance of the U.S. and International Equity managers. However, for all the long-term time periods, the Total Fund has exceeded the benchmark. During the First Quarter 2022, the Fund experienced negative investment returns of \$38.7 million in market value while benefit payments and operating expenses deducted \$6 million. As a result, the ending Total Fund market value was \$647,327,265 as of March 31, 2022.

The Asset Liability Study was reviewed and discussed at both the May and July meetings. Callan noted that the existing asset allocation policy is appropriate for a public plan trending towards \$1 billion and expected liquidity needs are manageable (approximately 2% of net outflow as a percentage of assets). A possible adjustment to the Non-U.S. Fixed Income allocation could be made to improve the expected long-term return. The current asset allocation is 36% U.S. Equity, 26% Non-U.S. Equity, 23% U.S. Fixed Income, 5% Non-U.S. Fixed Income, and 10% Real Estate.

MOTION: The Committee recommended the Board change the overall asset allocation to 38% U.S. Equity, 26% Non-U.S. Equity, 25% U.S. Fixed Income, and 11% Real Estate and will work with Callan to update the Investment Policy Statement for final Board approval at the October meeting. Lee Thompson seconded the motion. The motion carried unanimously.

The Committee also discussed the current assumed rate of return of 7.25%. After a discussion on best practices from other governmental pension plans and considering the forward-looking capital market assumptions from Callan, the Committee believes that it is prudent to lower the rate of return to be realistic with future expectations.

MOTION: The Committee recommended the Board reduce the actuarial assumed rate of return to 7.00% and to reflect the change in the upcoming Actuarial Valuation (FY2022) and the Investment Policy Statement. Matt Hastedt seconded the motion. Melinda Manning reminded the Board that they will see the impact to the funded level in the actuarial report. The motion carried unanimously.

Asset Allocation review is performed at each Committee meeting. It was noted that the System remains in compliance with the Investment Policy Statement.

The Committee approved a \$5 million cash liquidation request to pay benefits and administrative expenses per the Board's approved budget. Based on the April preliminary month-end asset allocation report, the Committee determined that the Barrow Hanley Core Fixed Income fund would be the best source of funds to meet the cash request.

Lee Thompson motioned to approve the Investment Committee report and Joey Hager seconded the motion. The motion carried unanimously.

Benefits Committee Report

Melinda Manning provided an overview of the Benefits Committee Meetings since the April 28, 2022 Board Meeting. The Benefits Committee meetings were held on May 12, 2022 and July 14, 2022. The primary focus of these meetings centered around the Committee's Work Plan, drafting of a Communications Policy, suggesting edits to current policies for review by legal counsel, and reviewing the Disability Regulations Guidelines drafted by Staff. Suzanne Dugan of Cohen Milstein will review the policies and provide feedback.

The Committee discussed the Disability Regulations, its definitions, and the need for the Board to easily reference and interpret the Regulations. They proposed three ways to view and understand the Regulations.

Sandy Thiry brought to the Committee's attention how the Date of Retirement is used in Disability Hearings. She explained that the applicant's Date of Retirement is equivalent to the date of the Board's approval of a disability pension. Therefore, the process for disability applicants are inconsistent compared to the process for early or service applicants who can start their benefit with a minimum 30-days' notice. The Date of Retirement for a disability pension applicant can be a few months to a year from their application date, due to administrative processes and the date of the actual hearing. Sandy Thiry requested that the Board consider using a Date of Retirement for disability applications to be equal to 30 days after the application date. She further clarified that the participant would not receive benefits until the Board approved at the hearing and once Board approved, the benefit would be retroactively paid to the Date of Retirement.

MOTION: Ryan Pope motioned to use 30 days after an application for the Date of Retirement for disability pension applications and to implement with any new Disability Hearings after the Board adopts the change. Renee Metzler seconded the motion. The motion carried unanimously.

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

Administrator Report – Sandy Thiry

Tony Bass provided the Board with an update to the Estimated 4QFY22 Financials. He reviewed specific budgeted items that exceeded the budgeted amount and explained that overall administrative costs came in under budget. The Board reviewed and discussed the budget results.

Tony Bass updated the Board regarding the City's approved COLA for the 179 Retirees and Beneficiaries. Benefits were calculated and payment records were adjusted for the 7/15/2022 payment cycle. A minor issue regarding tax elections for a select few occurred due to the mass update process used by CBIZ. Staff is working with the affected retirees and CBIZ to resolve.

Sandy Thiry stated that the State of Emergency expires August 15, 2022. Upon the expiration date, all meetings are expected to revert to on-site meetings per state statute previously in place.

Coaching & Development kicked off in May with individual assessments, team and individual sessions. Currently team members are working to identify areas of strengths and weaknesses for development.

The Retiree Election for the Trustee term for 10/1/2022 to 9/30/2025 is in process. The First Notice of Election was distributed on 7/5/2022 and the Second Notice of Election will be distributed between August 1st and 7th. Ballots will be distributed on 9/1/22 by Intelliscan via email and postal delivered mail. Ballots are due back to Intelliscan by 9/28/22. The CFRS will receive and announce the results on 9/29/22. The swearing in of the new Trustee by the Mayor will be scheduled.

The Board discussed the conference approval for the CAPPP (Certificate of Achievement in Public Plan Policy) on October 22- 23, 2022. Tyrilyn Phelps has this on her development plan and would like to attend. This is one part of a four-part series for certificate completion.

MOTION: John Carr motioned to approve conference attendance and Teresa Smith seconded. The motion carried unanimously.

The contract for the Outside Legal Counsel's policy review project has been signed and policy review is currently underway.

MOTION: John Carr motioned to accept the Administrator's Report. Joey Hager seconded the motion. The motion carried unanimously.

ADJOURNMENT

John Carr motioned to adjourn at 9:34 a.m. Joey Hager seconded the motion. The motion carried unanimously.

Next Regular meeting is scheduled for Thursday, October 27, 2022.

cc: Lisa Flowers, Assistant City Attorney