

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## QUARTERLY BOARD MEETING MINUTES

April 27, 2023

**PRESENT:** John Carr – Acting Chair, Melinda Manning, Sheila Simpson, Kevin Gordon, Joey Hager, Renee Metzler (arrived at 8:10 a.m.), and Lee Thompson

**STAFF:** Sandy Thiry, Tony Bass, Desiré Dixon, and Lisa Flowers - Sr. Assistant City Attorney

**ABSENT:** Vanessa Heffron, Matt Hastedt, Teresa Smith, and Ryan Pope

**GUESTS:** Paula Rinnix, Deputy HR Director

### AGENDA

**CALL TO ORDER** by John Carr at 8:05 a.m. The Quarterly Board Meeting took place in person at the CFRS office.

#### I. CONSENT CALENDAR

Melinda Manning motioned to approve the Consent Calendar which consisted of the January 26, 2023 Board Meeting Minutes, Schedule of Retirements with nine retirees, and the Expense Reports. Sheila Simpson seconded the motion. The motion carried unanimously.

#### II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar for the quarter which included the Citizens Trustee terms, Committee Charters and the Annual Budget Proposal FY2024. The next review for Committee Charters will be in 2024 since both Charters were recently amended. Kevin Gordon motioned to accept the Governance Calendar and Joey Hager seconded the motion. The motion carried unanimously.

Tony Bass presented the proposed CFRS budget for FY24 including contributions, investment income and expenses, and administrative expenses. Staff wages with a proposed increase including an additional staff member for half a year as part of the administrator's succession plan, conference travel, legal expenses, and office expenses were also discussed. The Board reviewed options to amend the budget during the year based on a proposed succession plan and other items such as conferences, should the need arise.

**MOTION:** Kevin Gordon motioned to accept the proposed budget with the amended staff wages to only include a proposed merit for current employees. Renee Metzler seconded the motion. The motion carried unanimously.

The terms for both Citizen Trustees John Carr and Renee Metzler expires June 30, 2023. Renee Metzler will not seek to extend her term due to her personal work schedule. John Carr would be honored to serve another term and a letter to the Judge should be sent for re-consideration for another term. Renee Metzler has recommended a candidate that she feels would be qualified to fill the vacant position. The Board discussed the vetting process and expressed desire that at least one trustee from all represented parties be included in the vetting process (City trustee, active member trustee, retired member trustee, and citizen trustee).

MOTION: Sheila Simpson motioned for the Board Chairperson to assemble an Ad-hoc Committee to include one trustee from all represented parties and provide direction to the Ad-hoc Committee. Kevin Gordon seconded the motion. The motion carried unanimously.

Appreciation was extended to Renee Metzler for her dedicated service to the CFRS.

### III. REPORTS

#### **Investment Committee Report – John Carr**

Since the January 26, 2023 Board Meeting, the Investment Committee met with Callan, Investment Consultant, for the Quarterly Performance Review, Real Estate Structure Review, Capital Market Review, and 2023 Work Plan. It was noted that Callan’s contract expires at the end of June and typically consists of a 3-year period with right to terminate at any time. The fees paid are an “all in basis” which includes but not limited to manager searches and liability studies. Staff will be working with Callan on a new contract to present to the Committee. They also met with the Domestic Small Cap Equity Managers, Eagle Asset Management and William Blair, and International Equity Managers T. Rowe Price and Morgan Stanley. No issues or concerns were raised.

The capital markets rebounded significantly in the Fourth Quarter 2022. All asset classes experienced positive absolute returns, except for Real Estate. The Total Fund returned 6.92% over the course of the Fourth Quarter 2022, which outperformed the Custom Index Return of 6.57% and ranked in the 17<sup>th</sup> percentile in the Callan Public Fund Sponsor Database. Since Inception, the Total Fund returned 8.49% and outperformed the Custom Index by 54 basis points on an annualized basis.

During the Fourth Quarter 2022, the Fund’s market value increased by \$37.2 million while \$4.9 million was withdrawn for operating expenses. As a result, the ending Total Fund market value was \$569,199,150 as of December 31, 2022.

Barrow Hanley, Lazard Asset Management and MFS were placed on watch effective February 16, 2023, not for performance, but rather due to personnel and ownership changes per the Investment Policy Statement. Eagle Asset Management who was placed on watch effective August 11, 2022, remains closely monitored. The Board discussed watch list provisions. The Investment Managers will continue to be monitored by the Investment Committee.

Staff and Legal Counsel worked through the contracts for Neuberger Berman and Wellington. The Committee motioned and unanimously approved to withdraw and fund the new managers upon signed contracts as follows:

- \$1 million from Boston Partners to Neuberger
- \$19 million from Morgan Stanley to Wellington
- \$1 million from T. Rowe Price to Wellington
- \$17 million from SSgA EAFE to Wellington (\$11million), and Neuberger (\$6 million)
- \$41 million from Barrow Hanley to Neuberger
- \$11 million from SSgA U.S. Aggregate Bond Fund to Neuberger.

The Committee reviewed NASRA’s recent Investment Return Assumption Survey results and determined that the CFRS’ current investment rate of return assumption of 7% is on target in comparison to the median of 7% and average of 6.93% noted in the survey as well this should be noted in the Callan’s capital market 10-year projected return of 6.99%.

MOTION: Melinda Manning motioned to approve the Investment Committee report and Renee Metzler seconded the motion. The motion carried unanimously.

## **Benefits Committee Report**

Melinda Manning provided an overview of the Benefits Committee Meetings since the January 26, 2023 Board Meeting. The primary focus centered around the Committee's Work Plan, policy reviews, and the preliminary review of the Disability Regulations with regards to the partial disability rating.

The Committee received updates on The Secure Act 2.0 that was passed at the end of 2022, which focused primarily on defined contribution plans. Paper statements will be required for defined benefit and defined contribution plan participants by 2026, followed by every 3 years thereafter. However, electronic delivery is permissible for those who elect an electronic copy. The CFRS already provides and distributes electronically an annual statement. Staff will monitor and determine what course of actions will be required to meet this obligation. The Social Security Fairness Act was introduced and seeks the repeal of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) provisions. There is still no funding mechanism tied to the proposed Act. The Social Security Expansion Act was also introduced. This aims to make Social Security solvent through 2075 by taxing the wealthy.

Staff has been working on cyber security modules for the retirees utilizing the CFRS' hired IT provider as a subject matter expert and the City's e-learning team as a resource. CFRS' legal counsel, Lisa Flowers, has also reviewed the materials. Staff will be working on an implementation plan over the next quarter.

Communications, Travel and Board Operations Policies were reviewed by outside legal counsel, internal counsel, and the Benefits Committee. Suggested edits to the Travel Policy include technical, compliance, and formatting changes. The most notable change is the use of the U.S. General Service Administration for per diem rates. The Communications policy is a new policy created to provide trustees and staff boundaries and guidance to remain compliant while being good fiduciaries of the System. The Board Operations Policies is also a new policy currently being drafted that will provide guidance on administering the System as fiduciaries. A new Citizen Trustee Search Policy was discussed. It was decided that since the Resident Superior Court Judge of Mecklenburg County has full authority as defined in the Act, the best practice would be a process documentation of actions the Board and staff could take to assist the judge with research or vetting qualified candidates. A Mecklenburg County resident could also petition the judge directly for appointment.

MOTION: Joey Hager seconded the motion to accept the amended Travel policy and adopt the new Communications Policy. The motion carried unanimously.

Kevin Gordon motioned to approve the Benefit's Committee Report and Renee Metzler seconded the motion. The motion carried unanimously.

## **Administrator Report – Sandy Thiry**

Sandy Thiry provided the Board with the 3QFY23 financial estimates and advised that there were no areas of concern. Office operations have been busy over the past quarter with staff seeing almost one person a day for a consultation or application. The Charlotte National Building condo association has hired a new management firm, Falcon One Properties.

The Board discussed the upcoming conferences. NAPPA will be held in San Antonio, TX, on June 27-30, 2023 and CAPP Part I will be held in Chicago, IL on July 24 - July 25, 2023. It was noted that John Carr was asked to speak at an AIMSE Conference (Association of Investment Management Sales Executives) in May and that the Association would be reimbursing his expenses. It was further discussed that he would be speaking about his experience as a trustee of a public pension fund and not speaking as a representative of the CFRS.

MOTION: Melinda Manning motioned for Lisa Flowers to attend NAPPA and Ty Phelps to attend CAPP. Renee Metzler seconded the motion. The motion carried unanimously.

Due to the lack of a quorum at the March investment meeting, Sandy Thiry stated the need for \$3Million cash draw for operating expenses

MOTION: Joey Hager motioned to draw \$3Million from Boston Partners. Lee Thompson seconded the motion. The motion carried unanimously.

Lee Thompson motioned to approve the Administrator's Report and Melinda Manning seconded the motion. The motion carried unanimously.

#### **IV. NEW BUSINESS**

NC State Senate Bill 737 was introduced and brought to Sandy Thiry's attention and response. The Bill, which centers around Environmental, Social, and Governance (ESG) and proxy voting responsibilities, would include the CFRS the way it is written. The City is aware of the concerns and current proxy voting rules within the CFRS' Investment Policy Statement and will work with the state legislatures regarding the concerns. The City will provide an update before the next Board meeting. In the meantime, Sandy Thiry is working with managers to obtain their individual proxy voting policies.

(Post meeting update was sent to the trustees stating that SB737 was edited in a manner that would exclude the CFRS)

#### **ADJOURNMENT**

Joey Hager motioned to adjourn at 10:25 a.m. Renee Metzler seconded the motion. The motion carried unanimously.

The Board of Trustees thanked Renee Metzler for her time as a Trustee and dedication to serving the members of the retirement system. Best wishes were extended to Renee as she takes on a new role in her personal work life.

**Next Regular meeting is scheduled for Thursday, July 27, 2023.**

cc: Lisa Flowers, Assistant City Attorney