

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## QUARTERLY BOARD MEETING MINUTES

October 26, 2023

**PRESENT:** Vanessa Heffron – Chair , John Carr, Melinda Manning, Joey Hager, Matt Hastedt, Teresa Smith, Ryan Pope, Kim Heffernan, Lee Thompson (left at 9:23 a.m.)

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

**ABSENT:** Sheila Simpson, Kevin Gordon

**GUEST:** Todd Green, Cavanaugh Macdonald

## AGENDA

**CALL TO ORDER** by Vanessa Heffron at 8:05 a.m. which took place in person at the CFRS office. Kim Heffernan was welcomed as the newest Citizen Trustee. The Board extended appreciation to Lee Thompson for his dedicated service over the past six years. Lee had announced earlier this year that he would not re-run for a third term.

### I. PUBLIC FORUM

The new agenda item, “Public Forum”, was established with this meeting. Announcements have been sent to both active and retirees regarding the new agenda item along with instructions on how to sign up to speak to the Board or to provide written material. There were no scheduled speakers, therefore, Vanessa Heffron moved on to the next agenda item.

### II. CONSENT CALENDAR

The Board of Trustees approved the Consent Calendar which consisted of the July 27, 2023 Board Meeting Minutes, Schedule of Retirements, and Expense Reports.

Lee Thompson motioned to accept the Consent Calendar and Joey Hager seconded the motion. The motion carried unanimously.

### II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar and the Annual Actuarial Valuation. Sandy Thiry stated that the Investment Policy Statement will be reviewed by Callan in November, therefore, recommended that the Governance Calendar accept the edit made to review in January. The actuarial firm was reviewed approximately five years ago during the funding review project by CBIZ Retirement Plan Services. The Investment Consultant is due for a formal RFQ and is in process with an anticipated January 5, 2024 release.

Todd Green provided the Annual Valuation results beginning with an overview of the Actuary's responsibilities. He provided a comprehensive summary of the funded status of the System as of July 1, 2023, including the impact of the Board's decision last year to reduce the assumed rate of return from 7.25% to 7%, the market volatility and the asset returns. The actual market gains were offset by the

increase in costs of the demographic and market assumptions, resulting in a net loss during the plan year. The valuation indicates that the Employer contribution rate should be 38.57%. Of this amount, the City is contributing 22.39%. The City previously agreed to an increase in the City's contribution rate by increasing 2% each year until reaching a maximum of 24% of payroll by FY 2026. The total market value of assets amounted to \$603,780,667 and the funding level decreased from 73.3% to 70.1%.

John Carr motioned to accept the Annual Actuarial Valuation Report and Joey Hager seconded the motion. The motion carried unanimously.

### **III. REPORTS**

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

Per the updated Charter, an election was held to vote for the Committee Chairperson. John Carr was nominated for the position and elected by a unanimous vote.

The Total Fund returned 3.1% over the course of the Second Quarter narrowly underperforming the Custom Index return of 3.24% and ranked at the 63rd percentile in the Callan Public Fund Sponsor Database. The 5-year return of 5.23% lagged the Custom Index return of 5.96% and placed the Fund at the 93rd percentile. Since inception, the Total Fund returned 8.6% and outperformed the Custom Index by 53 basis points on an annualized basis.

During the Second Quarter 2023, the Fund's market value increased by \$12.8 million as a net result of market gains and a withdrawal for operating expenses. US Equity experienced its third straight quarter of positive returns with performance driven by large cap technology stocks. Domestic Fixed Income and Real Estate experienced negative returns. As a result, the ending Total Fund market value was \$603,556,489 as of June 30, 2023.

#### **Watch List Update**

Barrow Hanley and MFS continue to be closely monitored due to changes in key personnel per the Investment Policy Statement. Eagle Asset Management and Lazard Asset Management's status was reviewed with Callan as well. Eagle's transition of key personnel has gone smoothly and as expected. Although recent performance is down, it is not a reflection of the transition. Callan remarked that they are comfortable that the long-term performance is consistent. The Committee motioned and unanimously approved to remove Eagle Asset Management from watch status. Being satisfied that the change in ownership of the Collective Trust with Lazard has proved to be non-eventful, the Committee also motioned and unanimously approved removing Lazard from watch status.

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

#### **Benefits Committee Report – Melinda Manning**

Per the updated Charter, an election was held to vote for the Committee Chairperson. Melinda Manning was nominated for the position and was elected by a unanimous vote.

Melinda Manning provided an overview of the Benefits Committee Meetings since the July 27, 2023, Board Meeting. In Noteworthy News, the Social Security Fairness Act and the Social Security Expansion Act continue to be monitored. These pertain to Windfall Elimination Provision and Government Pension Offset that our CFRS Members are subject to. The Committee discussed the most prominent news, "Israel at War".

The Committee discussed the Business Continuity Plan and System Administration Sustainability since the July Board meeting. The Committee also reviewed the Disability regulations and discussed various sections for improvement and current needs. Questions were raised to the Committee by a Member

regarding the CFRS to consider a DROP plan as well as how the CFRS could participate in Social Security. According to some historical information found in the office, the exclusion of Social Security participation occurred between the State and the Federal Security Administration. The original Agreement 218 has changed over the years including Federal laws that govern Social Security.

The Committee discussed the funding issues and will revisit during the next Benefits Committee meeting.

Joey Hager motioned to approve the Benefit's Committee report and John Carr seconded the motion. The motion carried unanimously.

#### **Administrator Report – Sandy Thiry**

Tony Bass provided the Board with the Final FY23 and estimated FY2024 through 8/31/2023 financial statements and explained that there were no areas of concern. He informed the Board of the new ACH and the ability to pay invoices through Bank of America which is estimated to be implemented in January 2024. This process offers a higher level of security and reduces costs.

Office operations remain busy with consultations and applications filling the calendar almost daily. Staff has been actively going out to present to recruit classes as well as to some stations to provide continuing education. Staff members are working with the City and CBIZ with the City's migration from PeopleSoft to WorkDay which is anticipated to go live July 1, 2024. This includes revising certain processes and reports between WorkDay and CBIZ. The Charlotte National Building informed tenants of the ongoing issue with the A/C, however there is no long-term solution at this point.

The Board discussed the upcoming conferences which included NCPERS Pension Communications Summit and Legislative Conference in Washington DC in January 2024 and the NAPPA Winter Seminar in Washington, DC in February 2024.

**MOTION:** John Carr motioned for Joey Hager to attend the NCPERS conference and Lisa Flowers to attend the NAPPA conference. Teresa Smith seconded the motion. The motion carried unanimously.

Sandy Thiry discussed the active member election process and timeline which is conducted by Intelliscan. The candidacy forms are due November 2, 2023, ballots will be distributed November 17, 2023, voting will end December 15, 2023 at 5pm ET and the results will be announced December 19, 2023.

As follow up to the Business Continuity Plan and the Pension Administration Sustainability discussion, Sandy Thiry presented three proposals for the Board's consideration which included partnering with CBIZ to do some transactional work that would allow staff resources to be redirected to other duties, hire additional staff or reorganize staff to concentrate on benefits and supporting the growing needs of the Members. With each of the proposals, Sandy provided areas of gaps, concerns and if these issues would be resolved or reduced by each proposal. The Board discussed the need to first understand each staff member's job descriptions and the transactional work that would potentially be transitioned to CBIZ.

Chairperson Vanessa Heffron had to leave the meeting at 10:20am. Vice Chairperson John Carr assumed the role of acting Chairperson at 10:20 a.m.

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

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

No new business was presented during the October Board meeting.

#### **ADJOURNMENT**

Joey Hager motioned to adjourn at 10:54 a.m. Melinda Manning seconded the motion. The motion carried unanimously.

**Next Regular meeting is scheduled for Thursday, January 25, 2024.**

cc: Lisa Flowers, Assistant City Attorney