

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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

QUARTERLY BOARD MEETING MINUTES

January 25, 2024

PRESENT: Vanessa Heffron – Chair , John Carr, Melinda Manning, Matt Hastedt, Teresa Smith, Ryan Pope, Kim Heffernan, Mike Feehley, Kevin Gordon, Sheila Simpson

CALL IN: Joey Hager

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

GUEST: Mike Meryhew, Sr. Manager - Cherry Bekaert

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:07 a.m. The meeting took place in person at the CFRS office. Mike Feehley was welcomed as the newest Active Member Trustee.

I. PUBLIC FORUM

No request was made to speak during the public forum.

II. CONSENT CALENDAR

Matt Hastedt motioned to approve the Consent Calendar which consisted of the October 26, 2023 Board meeting minutes and the September 28, 2023 Emergency Meeting, Schedule of Retirements, and the Expense Reports. Melinda Manning seconded the motion. The motion carried unanimously.

II. BOARD GOVERNANCE

The Board discussed the Governance Calendar and will utilize outside resources such as conferences for fiduciary training and review as well as legal counsel.

Mike Meryhew, Sr. Manager with Cherry Bekaert provided the annual audit results which included the issuance of an unmodified opinion, which concludes that the financial statements are presented fairly, in all material aspects, in accordance with the applicable financial reporting framework. No material weaknesses were identified and no significant deficiencies were reported. There was one uncorrected adjustment related to an overstatement of investment income related to the three-month lag of reporting for two real estate investments, Mike Meryhew stated this could go away as markets normalize and is not recommending any change to the reporting entry process.

John Carr motioned to accept the Annual Audit Report and Teresa Smith seconded the motion. The motion carried unanimously.

III. REPORTS

Investment Committee Report – John Carr

The Committee worked with Staff and legal during the past quarter to finalize the scope of services and the RFP questions submitted by multiple vendors. Over the next several months, the Committee will vet the proposals with an anticipated recommendation to the Board on July 25, 2024.

The Total Fund returned -3.56% over the course of the Third Quarter lagging the Custom Index return of -3.15% due to the underperformance of the active international equity managers. Large Cap stocks outperformed Small Caps, Value stocks outperformed Growth within small and mid-caps, and U.S. Fixed Income was negative in the Third Quarter. Lower appraisal values caused Core Real Estate to experience negative absolute returns as well.

Since Inception, the Total Fund returned 8.42% which was well-above the current actuarial assumed rate of 7% and outperformed the Custom Index by 51 basis points on an annualized basis, ranking in the 34th percentile. As of September 30, 2023, the ending Total Fund market value was \$577,578,608.

The Committee reviewed the redemption process, including the redemption queue notice deadline and any withdrawal penalties that may be associated with a redemption. The Committee motioned and approved to place JPMorgan Strategic Property Fund on watch and submit notice to enter the redemption queue with the ability to withdraw from the queue in the future. The Committee also motioned and approved the quarterly redemptions of JPMorgan Strategic Property Fund to be transferred to the cash account to help offset the quarterly cash draws until further notice.

The Investment Fee analysis was presented to the Committee and reviewed. All manager fees were shown to be in-line or below their relative peer groups.

At each meeting, the Investment Committee reviewed the monthly asset allocation reports. All asset classes were in-compliance with the existing Investment Policy Statement.

The Committee motioned and approved to draw \$5M from the SSGA Russell 1000 Index Fund for operating expenses at the November 16, 2023 IC meeting.

Barrow Hanley and MFS continue to be closely monitored due to changes in key personnel per the Investment Policy Statement. JPMorgan was placed on watch effective November 16, 2023 due to a change in key personnel per the Investment Policy Statement.

Melinda Manning motioned to accept the Investment Committee report and Teresa Smith seconded the motion. The motion carried unanimously.

Benefits Committee Report – Melinda Manning

Melinda Manning provided an overview of the Benefits Committee Meetings since the October 26, 2023, Board Meeting. The Social Security Fairness Act and the Social Security Expansion Act continue to be monitored. However, no updates were available. The Secure Act's implementation date for Roth catch-up contributions has been pushed out to provide agencies more time to set up and program for Roth Contributions.

The Committee continues to utilize the Work Plan to focus on various projects and review policies. They also discussed the Business Continuity Plan and System Administration Sustainability Plan while working with legal counsel on new vendor contracts and reviewing the Disability Regulations for updates.

The Committee walked through the current Funding Initiative with Ryan Bergman and discussed the need for additional funding. Included in the discussion was pension reform, the member survey done a few years ago, and the need to provide occasional cost-of-living adjustments to retirees. Ryan Bergman put together various scenarios for an actuarial analysis. The City will pay for the analysis and will share the results with the Committee for further review and consideration.

MOTION: The Benefits Committee motioned that the City pay the ADEC within 5 years. Should the ADEC fall below the Normal Cost, the Normal Cost shall be the contribution rate. John Carr seconded the motion and the motion carried unanimously.

John Carr motioned to accept the Benefit's Committee report and Ryan Pope seconded the motion. The motion carried unanimously.

The Board took a 10-minute break beginning at 9:28 a.m.

Administrator Report – Sandy Thiry

Tony Bass provided the Board with the Final FY23 and estimated FY2024 through November 2024 financial statements and explained that there were no areas of concern. He discussed the CFRS sponsoring the retiree fish fry to be held on March 8, 2024 that is organized by Tripp Fincher. Sandy stated that there is also a fall BBQ arranged by Tripp Fincher and has asked for sponsorship of that event, which will be included in the budget discussion at the April Board meeting. Tony updated the Board about the new ACH process which will offer a higher level of security and reduce costs.

The Board discussed the upcoming conferences which include Callan's College virtual session on March 19-21 and their National Conference on April 8-10, 2024 in San Francisco, NCPERS Accredited Fiduciary Program and their Annual Conference on May 18-22 in Seattle, WA, and the GFOA National Annual Conference on June 9-12 in Orlando, FL.

MOTION: Kevin Gordon motioned for Mike Feehley and Lisa Flowers to attend Callan's College virtual conference; John Carr, Joey Hager and Mike Feehley to attend Callan's National Conference; Joey Hager to attend NCPERS Annual Conference; and Tony Bass, Matt Hastedt and Betty Mattos to attend the GFOA National Conference. Sheila Simpson seconded the motion. The motion carried unanimously.

Sandy Thiry confirmed the active member election of which Mike Feehley ran unopposed.

Office operations remain steady from October 2023 to December 2023 with 38 consultations and applications and 24 members already scheduled this first quarter of 2024, Recruitment classes and station visits are also scheduled to provide retirement education. Staff members are working with the City and CBIZ for the City's migration from PeopleSoft to WorkDay that will include revising certain processes and reports between WorkDay and CBIZ. This is expected to go live in July 2024.

Charlotte National Building continues to have maintenance issues and upcoming capital expenditures will be necessary. There may be a need to review the condo status.

The Pension Administration Sustainability Plan was discussed extensively. Sandy Thiry reminded the Board of the current gaps and made recommendations to address the system's requirements and future needs. The recommendations included but were not limited to outsourcing to CBIZ, hiring additional staff and / or reorganizing. New retirees or active members should not be affected by these changes. She also suggested a reasonable timeline and the estimated cost any changes would be to the system.

MOTION: Melinda Manning motioned to move forward with the recommendations by Sandy Thiry that include outsourcing certain transactional work to CBIZ, hiring a Junior Benefits Analyst, and transition the financial transactional work to the City Finance Dept. Ryan Pope seconded the motion. The motion carried.

John Carr motioned to approve the Administrator's Report and Ryan Pope seconded the motion. The motion carried unanimously.

Melinda Manning motioned to enter Closed Session at 11:13 a.m. pursuant to N.C.G.S. Section 143-318.11(a)(6) to consider the performance of members of the System's staff Kevin Gordon seconded the motion. The motion carried unanimously.

John Carr motioned to go into Open Session at 11:55 a.m. and Teresa Smith seconded the motion. The motion carried unanimously. The Board took action which included providing merit raises to the System's staff members.

IV. NEW BUSINESS

No new business was presented during the January Board meeting.

ADJOURNMENT

Ryan Pope motioned to adjourn at 12:00 p.m. Mike Feehley seconded the motion. The motion carried unanimously.

Next Regular meeting is scheduled for Thursday, April 25, 2024.

cc: Lisa Flowers, Assistant City Attorney