

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## INVESTMENT COMMITTEE MINUTES

February 15, 2024

**PRESENT:** John Carr, Matt Hastedt, Joey Hager, Mike Feehley, Teresa Smith (left at 9:20 a.m.)

**OTHER:** Sandy Thiry, Tony Bass, Desiré Dixon

**GUESTS:** Elizabeth Hood and Todd Carabasi from Callan

**OFFICIAL CALL TO ORDER** by John Carr at 8:02 a.m.

### Meeting Minutes Approval

Matt Hastedt motioned to approve the January 18, 2024 meeting minutes with a grammatical correction, and Teresa Smith seconded the motion. The motion carried unanimously.

### Asset Allocation Report and Cash Draw for Operating Expenses

The Committee reviewed the January 31, 2024 asset allocation report and acknowledged that private real estate is below the target allocation due to market circumstances and fluctuation. Given the appraisal lag of the investments, the Committee expects the variance to be less than the target range for a temporary period of time. The Committee is considering the overall role of private real estate within the context of the Total Portfolio. Todd Carabasi explained the current target allocation decision-making process and will review the asset classes for possible revisions at a future meeting.

Teresa Smith made a motion to withdraw \$3.5M from the SSGA Russell 1000 Index Fund for operating expenses. Matt Hastedt seconded the motion. The motion carried unanimously.

### Quarterly Fund Performance Report - Callan

Todd Carabasi reviewed the Periodic Table of Investment Returns and noted positive returns across all asset classes. The "Magnificent Seven," (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla) which comprise over 25% of the S&P 500, accounted for 76% of the 2023 return for the Index. The Index would have been up only about 10% for the year without these stocks, and the equal-weighted S&P 500 returned 11.9% in the Fourth Quarter 2023 and 13.9% for the calendar year 2023.

The Total Fund returned 8.56% over the course of the Fourth Quarter, outperforming the Custom Index return of 8.21%, and ranked at the 25th percentile in the Callan Public Fund Sponsor Database. While the 5-year return of 7.73% underperformed the Custom Index return of 8.11%, it exceeded the 7.00% actuarial assumed rate of return. Since inception, the Total Fund returned 8.61% and outperformed the Custom Index by 52 basis points on an annualized basis, ranking in the 30th percentile.

The Committee discussed the role of private real estate, recent performance, and future expectations.

### Performance Fee Review

Callan conducted a follow-up fee review of Boston Partners' active management fee. The current CFRS base fee of 25 basis points per year offers a significant discount of approximately 69% in annual savings compared to their standard asset-based fee of 80 basis points per year. In addition to the base fee, CFRS also pays Boston Partners a portion of their relative outperformance on a rolling 3-year basis, but the total fee is capped at 125 basis points. According to Callan's research, the current CFRS

performance-based fee aligns with Boston Partners' outperformance objectives of 200 basis points. The CFRS total fee is a discount to their standard fee schedule when the rolling 3-year relative performance is less than 245 basis points of outperformance.

### **Capital Market Projections**

Callan develops projections for the risks, returns, and correlations of the capital markets each year which are the key inputs to their asset allocation studies. Based on the new 2024 capital market assumptions, CFRS' 10-year expected return is 7.44% based on the current policy target allocation. At this time, Callan recommended no changes to the asset allocation targets, or to the assumed rate of return.

### **Foreign Tax**

U.S. Bank offers a Foreign Taxation Treaty Documentation Service at \$185 per year (payable to the IRS). Their Global Tax Treaty Services team pursues reduced tax rates on foreign and ADR security income. The CFRS has not participated in the past and further research will be done to estimate the amount of staff time spent on paperwork.

### **Manager Updates**

MFS announced the executive transition of the firm's Corporate Controller to Chief Financial Officer effective January 1, 2025. He will succeed the CFO who will retire effective April 30, 2025.

Neuberger Berman reported the transition of the Deputy CIO of Fixed Income to the Co-CIO of Fixed Income. This is a temporary overlap of the Co-CIO prior to transitioning into an Advisory role. This change has no impact on the portfolio.

J.P. Morgan reported additional departures within the organization. Chad Treadway re-joined the firm as Head of Real Estate Americas. Staying in the redemption queue is supported by the continued changes within the organization.

UBS currently has 60% of the value of their fund in the redemption queue. The Committee is evaluating the benefits of staying in their Loyalty Program. The 25% discount fee with the loyalty program is expected to be made permanent at some point. However, the discount would be rebated on any withdrawal amounts.

### **Watchlist**

Todd and Elizabeth reviewed the watch list. Both Barrow Hanley and MFS have been on watch status for a year due to personnel changes. Callan has no areas of concern due to the transition of personnel and recommended both managers be removed from watch status.

Matt Hastedt motioned to remove Barrow Hanley and MFS from watchlist and Mike Feehley seconded the motion. The motion carried unanimously.

Sandy Thiry distributed the NCPERS and the NASRA Public Fund Surveys.

### **New Business**

No new business was presented during the February meeting.

Joey Hager motioned to adjourn at 10:42 a.m. and Matt Hastedt seconded the motion.  
The motion carried unanimously.

The next Investment Committee Meeting is scheduled for  
Thursday, March 21, 2024 at 8:00 a.m.