

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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INVESTMENT COMMITTEE MINUTES

April 18, 2024

PRESENT: John Carr, Joey Hager, Matt Hastedt, Teresa Smith, Mike Feehley

OTHER: Sandy Thiry, Desiré Dixon, Tony Bass, Lisa Flowers – legal counsel (arrived at 8:56)

GUEST: Jason White and Jennifer Falcone – T. Rowe Price
David Bernard – Morgan Stanley

Official call to order by John Carr at 8:08 a.m. This meeting was held at the Charlotte Mecklenburg Government Center pending the completion of building maintenance at the CFRS office.

Approval of Meeting Minutes

Matt Hastedt motioned to approve the February 15, 2024; March 7, 2024; and March 21, 2024 meeting minutes and Teresa Smith seconded the motion. The motion carried unanimously.

International Equity Review

T. Rowe Price International Small Cap

Jennifer Falcone informed the Committee that the Head of Global Equity expanded his role to become Head of Global Investments as of January 1, 2024, filling the position left vacant due to the promotion of the former head to CEO and President. There were no changes to the investment portfolio team. She reported the strategy's assets under management were \$7.8B as of December 31, 2023 and the CFRS' funds within the strategy total \$25.5 million. Jennifer stated that the first quarter updates would not be available until April 26, 2024. All reporting periods, except for the 3-year period, added value, gross of fees, as of March 31, 2024.

Jason White stated the International Small Cap Equity Trust was closed to new investors in 2018 and re-opened in September 2023 due to the combination of net outflows and the increased size of the overall market. Jason discussed the characteristics, regional allocations, and sector exposures, noting that the portfolio is now balanced and within +/-5% of the benchmark weights.

T. Rowe announced that securities lending will be re-instated on all their collective trust funds effective July 1, 2024. Any interest income generated from securities lending will be reflected in the net asset value of the fund.

Morgan Stanley Investment Management

David Bernard advised the Committee that an analyst left the International Equity team and two new research analysts were hired in 2023. All reporting periods, except for Since Inception, have lagged the benchmark, net of fees, as of March 31, 2024. David explained the effects that the over- and under-weights to specific stocks had on the portfolio. He also shared the 2024 outlook of the international market moving forward.

The Committee will further review the manager's performance once the relative peer group rankings are reported by Callan.

Asset Allocation Report

The Committee reviewed the March 31, 2024 Asset Allocation report. All asset classes except for real estate were in-compliance with the Investment Policy Statement. JP Morgan's redemption for the second quarter of 2024 was approximately \$779,873 prior to fees, netting approximately \$726,000. To date, \$999,000 net of fees has been redeemed.

Investment Policy Statement

The Committee reviewed the performance index changes addressed by Callan as well as an additional suggested edit related to the language regarding the fixed income rating agencies. It was determined that the IPS should include all NRSROs as a matter of preferred practice.

Matt Hastedt motioned to recommend all the suggested edits from Callan to the Board for approval at the Board's April 25, 2024 meeting. Mike Feehley seconded the motion. The motion carried unanimously.

Tax Treaty Service

As a follow-up to previous discussion with the Committee, Sandy Thiry researched and reported back that the international equity managers do not hold the types of foreign securities which would benefit from US Bank's tax treaty service. The managers have held ADRs which are not subject to tax; therefore, the tax treaty services offered by US Bank would not be a service that the CFRS would utilize. No action is required.

Investment Consultant Due-Diligence

The Committee discussed the finalist candidates' qualifications, services, and each of their final proposed fee arrangements along with the long-term needs of the CFRS. The group determined the best candidate to recommend to the Board.

Matt Hastedt motioned to recommend to the Board the hiring of Callan as the Investment Consultant and to present the recommendation to the Board at the April 25, 2024 meeting. Joey Hager seconded the motion. The motion carried unanimously.

Manager Updates

MFS just announced a CIO change. Callan is researching the breaking news and will have an update to provide to the Committee at the next meeting. They are not recommending a watch status until they can fully research the impact of this update.

New Business

Teresa Smith announced her planned retirement as the CFO of the City of Charlotte as of January 1, 2025. Appreciation was extended for her dedication, hard-work, and professionalism while serving on the Investment Committee and as a CFRS Board Trustee.

Joey Hager motioned to adjourn at 10:23 a.m. and Teresa Smith seconded the motion. The motion carried unanimously.

The next Investment Committee Meeting is scheduled for Thursday, May 16, 2024 at 8:00 a.m.