

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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QUARTERLY BOARD MEETING MINUTES

April 25, 2024

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

STAFF: Sandy Thiry, Ty Phelps, Tony Bass, Desiré Dixon, and Lisa Flowers - Sr. Assistant City Attorney (arrived at 8:05 a.m.)

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:03 a.m. Due to building construction concerns at the CFRS Office, the Board meeting took place in person at the Charlotte Fire Department General Office at 500 Dalton Ave, Charlotte, North Carolina, 28202.

I. PUBLIC FORUM

No requests were made to speak during the public forum.

II. CONSENT CALENDAR

Kevin Gordon motioned to approve the Consent Calendar which consisted of the January 25, 2024 meeting minutes, Schedule of Retirements, and the Expense Reports. Melinda Manning seconded the motion. The motion carried unanimously.

II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar which included the Citizens Trustee terms. The term for Citizen Trustee Melinda Manning expires June 30, 2024 and active Trustee Joey Hager expires December 31, 2024. Melinda Manning acknowledged her interest in serving another term. Sandy Thiry also made the Board aware of the interest expressed by a former Citizen Trustee, Bobby Drakeford. The Board discussed the skillsets of each and the requirements needed for current projects. Staff will provide the Judge with both candidates and recommendation to consider Melinda Manning for a subsequent term. Joey Hager also expressed interest in running for re-election to serve another term.

Teresa Smith announced her pending retirement on January 1, 2025. There is no information available at this time about who her successor will be.

MOTION: Joey Hager motioned to accept the Governance Calendar and John Carr seconded the motion. The motion carried unanimously.

III. REPORTS

Investment Committee Report – John Carr

Since the January 25, 2024 Board meeting, the Investment Committee held 5 meetings. They met with Callan for the Quarterly Performance Review, Real Estate Structure Review, Capital Market Review, and their 2024 Work Plan. They also met with the U.S. Small Cap Equity Managers, Eagle Asset Management and William Blair, as well as the International Equity Managers T. Rowe Price and Morgan Stanley. As part of the due diligence of the RFP for Investment Consultant, on-site interviews were held.

The Total Fund market value as of December 31, 2023 was \$622,614,207. Over the course of the Fourth Quarter, the Total Fund returned 8.56% and Since Inception returned 8.61%.

The Committee reported that Barrow Hanley and MFS have been on watch status due to changes in key personnel per the Investment Policy Statement. Identifying no areas of ongoing concern resulting from these changes, the Committee motioned and approved removing both Barrow Hanley and MFS from watch status. JP Morgan, who was placed on watch effective November 16, 2023 due to a change in key personnel per the Investment Policy Statement, continues to be closely monitored. At the same time and in consultation with Callan, the CFRS entered JP Morgan's redemption queue and has received \$999,000 to date, leaving a fund balance of approximately \$20 million. CFRS retains the right to withdraw from the redemption queue at any time.

Callan reviewed the IPS and provided suggested edits which included updating the Manager's five-year objectives pertaining to excess returns over their respective performance indices updated language referencing credit rating agencies, and the real estate peer group.

The Real Estate allocation dropped below the minimum target allocation limit due to market volatility, property write-downs, and receiving redemptions from JP Morgan. Any change to the target allocations in the IPS would require an Asset Liability Study. The Committee is closely monitoring the allocation each month and is evaluating for a long-term solution.

MOTION: The Committee motioned for the Board to approve the minor changes to the Investment Policy Statement and Mike Feehley seconded the motion. The motion carried unanimously.

As part of the Investment Consultant due-diligence process, the Committee reviewed all the proposals that were submitted by potential investment consultants. They discussed their qualifications, services, and each of their final proposed fee arrangements along with the long-term needs of the CFRS. They narrowed down the list of candidates to four finalist for interviews. The full Investment Committee, joined by the Board Chair and a Benefits Committee Trustee, thoroughly vetted each of the finalists.

MOTION: The Committee motioned for the Board to hire Callan as the new CFRS' Investment Consultant and Sheila Simpson seconded the motion. The motion carried unanimously.

Melinda Manning motioned to accept the Investment Committee report and Joey Hager second the motion. The motion carried unanimously.

Benefits Committee Report – Melinda Manning

Melinda Manning provided an overview of the Benefits Committee meetings since January 25, 2024, Board Meeting which focused on Policies & Regulations and the Funding Initiative. The Committee stays abreast of noteworthy news at each meeting. The NASRA Public Plan Survey was provided to the committees. It was noted that the CFRS' current funding level of 70.1% has fallen below the survey's median funding level of 77.1%.

The Committee continues to utilize the Work Plan to focus on various projects and review policies. However, discussions regarding the Disability Policy have been temporarily postponed while they work through the pension reform. The primary focus has been working collaboratively with the City on the Funding Initiative. They discussed options that could improve the ADEC, the timeline to become fully funded, and the need to increase the employees' contribution rate. Pension reform would for the most part be applicable to new hires. In addition to what scenarios the City has asked the actuary to analyze, the committee would like to also understand the impact of behavioral changes that could impact the plan. The Committee motioned that the Board approve an expenditure of \$7,000 for additional actuarial

analysis. However, the actual estimated cost for the work came in after the Committee's last meeting, which will be \$7,500.

MOTION: Kevin Gordon made a substitute motion that the Board approve the expenditure up to \$7,500 for additional actuarial analysis needed for pension reform and funding options. Mike Feehley seconded the motion. The motion carried unanimously.

Joey Hager motioned to accept 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 estimated quarterly financial reports along with the estimated final FY24 budget expectations and explained that there were no areas of concern. He also provided the Proposed FY2025 budget. He reminded the Board of how income consists of the City's and Member's contributions and the assumed 7% investment rate of return on investments, and the expenses consisting of plan related fees, retirement payments and office expenses. There is an estimated budget increase in expenses this year over last year due to the additional staff member and additional CBIZ support recently approved by the Board, potential actuarial costs for the funding initiative, and additional legal expenses to help support the legal work that is currently needed now and in the future. Also included in the proposed budget are the CFRS sponsored events for the retirees, in lieu of the historical organized reunion by staff, such as the retiree fish fry held in the spring, and the Fall BBQ that are organized by Tripp Fincher. The proposed budget for Investment Consultant included an estimate based on current fee structure with Callan. Since the Board has decided to hire Callan as the Investment Consultant for the upcoming year, the proposed budget would need to be modified to reflect the new fee schedule.

MOTION: Matt Hastedt motioned to approve the proposed FY2025 budget with the modified Investment Consultant fees and Ryan Pope seconded the motion. The motion carried unanimously.

Tony provided an update on the ACH payments process, noting that the template has been set up for the 1st wire transfer via US Bank with others to follow suit. Bank of America's ACH conversion is moving forward with upcoming training sessions.

The Board discussed the upcoming conferences which include NAPPA Conference, June 25-28, 2024 in Fort Lauderdale, FL; the NCGFOA Summer Conference, July 22-24, 2024 in Wilmington, NC; the NASRA Annual Conference August 3-7, 2024 in Pittsburgh, PA; and the NCPERS Public Pension Funding Forum in August in Boston, MA.

MOTION: John Carr motioned for Matt Hastedt to attend the NCGFOA conference and Lisa Flowers to attend the NAPPA Conference and Melinda Manning seconded the motion. The motion carried unanimously.

The U.S. and Canada are confirmed for a T+1 settlement cycle starting in May 2024. The goal in moving to a shorter settlement cycle is to reduce the risk and increase efficiencies. US Bank is poised to go-live in May 2024.

The City's migration from PeopleSoft to WorkDay has been postponed to October 2024 but the Finance transition is still expected to go live in January 2025. Staff are working closely with the WorkDay project group and CBIZ testing data files. First testing files show more work needs to be done with wage code mapping and file formatting.

Consultations and applications continue to increase from quarter to quarter, with the first quarter having over 30 consultations and applications scheduled and 20 booked so far in the second quarter. Staff are also busy with attending recruit classes and station visits to provide retirement education.

Pension Administration and Sustainability are moving forward. Office space and furniture are being prepared to accommodate a new staff member. The City's talent acquisition manager is assisting with job posting and search. Staff held a "kick off" meeting with the CBIZ team to begin drafting processes and process ownership.

The Charlotte National Building is currently having the A/C repaired and it is expected that there will be special assessment fees applied. The building is likely to have additional capital improvement expenditures in the upcoming years.

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

IV. NEW BUSINESS

No new business was presented during the April Board meeting.

ADJOURNMENT

Ryan Pope motioned to adjourn at 9:15 a.m. Melinda Manning seconded the motion. The motion carried unanimously.

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

cc: Lisa Flowers, Assistant City Attorney