

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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QUARTERLY BOARD MEETING MINUTES

July 25, 2024

PRESENT: John Carr – acting Chair, Melinda Manning, Ryan Pope, Kim Heffernan, Mike Feehley, Joey Hager, Sheila Simpson, Matt Hastedt (left at 9:40 a.m.), Kevin Gordon (left at 10:00 a.m.) and Teresa Smith (left at 9:45 a.m.)

STAFF: Sandy Thiry, Ty Phelps, Tony Bass, Desiré Dixon, and Lisa Flowers - Sr. Assistant City Attorney, City Interns – Katie Wooten, Jordyn Ignont

ABSENT: Vanessa Heffron

AGENDA

CALL TO ORDER by John Carr at 8:01 a.m.

I. PUBLIC FORUM

No requests were made to speak during the public forum.

II. CONSENT CALENDAR

Ryan Pope motioned to approve the Consent Calendar which consisted of the April 25, 2024 meeting minutes, Schedule of Retirements, Expense Reports, FY2025 Board & Committee Meeting Calendar, Active Member Trustee Election Calendar/ Timetable. Matt Hastedt seconded the motion. The motion carried unanimously.

II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar for the quarter and suggested one minor edit to remove the check mark for a specific quarter related to the Asset Liability Study. Sandy Thiry reminded the Board of the Annual Code of Ethics review. New Code of Ethics forms were signed and returned by the trustees and staff. Congratulations and appreciation were extended for the re-appointment of Citizen Trustee, Melinda Manning for the 3-year term beginning July 1, 2024 to June 30, 2027.

Election of Officers

John Carr advised the Board that nominations for Vice Chairperson and Secretary were in order. Kevin Gordon motioned to open the floor for nominations of the Vice Chair and Mike Feehley seconded the motion. Motion carried unanimously. Kevin Gordon nominated John Carr for Vice Chair. Hearing no other nominations, Kevin Gordon motioned to close nominations of Vice Chair. Sheila Simpson seconded the motion. Motion carried unanimously. Melinda Manning motioned to vote for John Carr as Vice Chair. Sheila Simpson seconded the motion. Motion carried unanimously. Mike Feehley motioned to open nominations for Secretary and Kim Heffernan seconded the motion. Motion carried unanimously. Kevin Gordon motioned to nominate Ryan Pope for Secretary. Hearing no other nominations, Melinda Manning motioned to close the nominations for Secretary. Matt Hastedt seconded the motion. Motion carried unanimously. Joey Hager motioned to vote Ryan Pope for Secretary. Sheila Simpson seconded motion. Motion carried unanimously. Congratulations were given to John Carr and Ryan Pope on their re-elections.

Fiduciary Training – Cohen Milstein

Julie Reiser, Suzanne Dugan, and Luke Bierman provided the Board with Fiduciary training. The training included the Dept of Labor's Final Rule regarding prudence and loyalty in selecting investments and exercising shareholder rights; the importance as a fiduciary to creating processes, documenting decisions, and monitoring those decisions. They explained that prudence and loyalty also applied to non-investment

strategies such as advocacy, proxy proposals and voting, and derivative litigation. Julie also explained what is required for a Section 220 investigation (must be narrowly tailored and for a proper purpose) and that derivative litigation is when a shareholder brings a lawsuit on behalf of the company if the board or top executives have violated their fiduciary duty. She also explained the security litigation monitoring processes provided by Cohen Milstein and that typically there are no fees for monitoring. Fees would incur if the CFRS recovers any losses from a claim filed by Cohen Milstein.

III. REPORTS

Investment Committee Report – John Carr

Since the April 25, 2024 Board Meeting, the Investment Committee held 3 meetings. They met with Callan to review the fund's Quarterly Performance, Real Estate Structure, Callan's Capital Market Review, and their 2024 Work Plan. The Committee also met with the Domestic Fixed Income Managers, Barrow Hanley and Neuberger Berman, and Emerging Market Equities Manager, Lazard.

The Total Fund returned 4.7% over the course of the First Quarter 2024, outperforming the Custom Index return of 4.42%, and ranked at the 68th percentile in the Callan Public Fund Sponsor Database. The rolling 5-year return of 6.88% underperformed the Custom Index return of 7.27% and fell slightly below the 7.00% actuarial assumed rate of return. Since Inception, the Total Fund yielded a return of 8.69% and outperformed the Custom Index by 52 basis points on an annualized basis, exceeding 77% of all other Governmental Public Funds in Callan's database. As of March 31, 2024, the Total Fund market value was \$647,140,276 and all managers exceeded the benchmark.

The CFRS remains in JP Morgan's redemption queue and retains the right to withdraw from the redemption queue at any time. Morgan Stanley was placed on watch June 20, 2024 due to performance issues. William Blair was placed on watch June 20, 2024 due to key personnel changes pursuant to the Investment Policy Statement. The Committee and Callan are closely monitoring all three firms.

The Investment Committee reviewed the asset allocation reports each month and all classes were within the allowable ranges. The Committee continues to review the Real Estate structure for a long-term solution.

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

Benefits Committee Report – Melinda Manning

Melinda Manning provided an overview of the Benefits Committee meetings since the April 25, 2024, Board Meeting which focused on Policies & Regulations and the Funding Initiative. The Committee cancelled the May 9, 2024 meeting but proceeded on with June and July. At each meeting the Committee discussed noteworthy news. The City of Charlotte adopted their FY2025 Budget which included funding 1/5 of the ADEC as requested by the Board earlier this year as part of an updated funding initiative. This increase supersedes the original funding initiative which planned for a 2% incremental increase of Employer contribution with a rate of 22.39% in FY2025 and 24.39% in FY2026. The Employer's contribution for FY2025 is 25.304% which equates to approximately \$3M of additional contributions to the plan. Senate Bill 319 (Article 86A) passed the Firefighters' Health Benefits Pilot Program and it was re-named the Firefighters' Cancer Insurance Program. The purpose of the Program is to provide health benefits as authorized by the law to eligible firefighters with a new diagnosis of cancer on or after January 1, 2022. This is a state plan not facilitated by the CFRS.

The Committee continues to utilize the Work Plan to focus on various projects, policies and regulations and the Funding Initiatives. They continue to work with the City of Charlotte for options intended for pension reform and funding concerns. The Committee has vetted several benefit options for long-term funding while taking into consideration the members, the City, administrative concerns, as well as the Board's fiduciary

responsibility and risk tolerance, and presented an exhibit with suggested options for long-term funding to the Board.

MOTION: Joey Hager motioned for the Benefits Committee to move forward with pursuing the presented options, which mainly apply to new hires, and includes increasing the Employee Contribution rate, changing the definition of Compensation, changing the Final Average Salary period, changing unused sick time used in Final Average Salary, capping unused sick time, and changing the conversion method used for service with unused sick time for new hires as well as current members. Sheila Simpson seconded the motion. The motion carried unanimously.

Sheila Simpson motioned to accept the Benefit's Committee report and Joey Hager seconded the motion. The motion carried unanimously.

Administrator Report – Sandy Thiry

Tony Bass advised the Board that the estimated FYE2024 is within budget. The investment fees were in line however, U.S. Bank's final fourth quarter report had not been issued at the time of the meeting. He also advised the Board that contributions were over budget due to the City's increased contribution rate and government service purchases. The administration fees overall were under budget. There was a contingency expense incurred due to fees associated with a corrective action because of an operational error related to a service purchase. There were no other areas of concern. Office operations remain constant with consultations and applications.

The Board discussed the 70th Annual IFEBP Annual Conference to be held on November 10 - 13, 2024 in San Diego, CA and virtual attendance only by CFRS. Since this is a virtual session, the only cost would be for registration.

MOTION: Ryan Pope motioned for one virtual registration attendance for the IFEBP Annual Conference and Joey Hager seconded the motion. The motion carried unanimously.

The City's transition from PeopleSoft to WorkDay is scheduled for October 2024. Staff are working closely with the WorkDay project group and CBIZ to modify payroll files. The City created 30 new wage codes that had to be programmed and tested. Currently, the WorkDay testing results are being compared to the PeopleSoft results.

Consultations and applications continue to increase from quarter to quarter. The second quarter had over 28 consultations and applications scheduled and 20 booked in the third quarter. Staff are also busy with attending recruit classes and station visits to provide retirement education.

The System Administration Sustainability project is well under way. The City's talent acquisition manager continues to support the Administrator with the job posting and search for the Benefits Analyst Jr. position. The Staff is working with the CBIZ team testing the new co-sourcing workflow process and process ownership which is expected to go-live mid-August.

At present, there are no updates from the Charlotte National Building regarding any special assessment fees for the air conditioner repair.

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

IV. NEW BUSINESS

No new business was presented during the July Board meeting.

ADJOURNMENT

Joey Hager motioned to adjourn at 10:25 a.m. Sheila Simpson seconded the motion. The motion carried unanimously.

Next Regular meeting is scheduled for Thursday, October 24, 2024.

cc: Lisa Flowers, Assistant City Attorney