

CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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QUARTERLY BOARD MEETING MINUTES

October 24, 2024

PRESENT: Vanessa Heffron – Chair , John Carr (left at 10:00 a.m.), Melinda Manning, Joey Hager, Matt Hastedt, Teresa Smith, Sheila Simpson, Kevin Gordon (left at 10:20 a.m.), Kim Heffernan, Mike Feehley, Ryan Pope (via phone)

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

GUESTS: Todd Green - Cavanaugh Macdonald, Jordan Paschal - City Budget Analyst, Tory Summey – Parker Poe, Legal Counsel, several CFRS members.

AGENDA

CALL TO ORDER by Vanessa Heffron at 8:00 a.m. This meeting took place in person at the CFRS office.

I. PUBLIC FORUM

There were no speaker requests for the public forum.

II. CONSENT CALENDAR

Joey Hager motioned to accept the Consent Calendar which consisted of the July 25, 2024 Board Meeting Minutes, Schedule of Retirements, and Expense Reports. Mike Feehley seconded the motion. The motion carried unanimously.

II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar and the Annual Actuarial Valuation. The Experience Study is presently due since the last report was completed through fiscal year 2018. Although there are some proposed changes in The Act that will be considered by City Council, it is not necessary for the Actuary to wait for those updates to complete the Study.

Todd Green provided the Annual Valuation results beginning with an overview of the Actuary's responsibilities. He provided a comprehensive summary of the funded status of the System as of July 1, 2024. The funding level decreased from 70.1% to 68.8%. He discussed the various assumptions such as turnover, retirement rate, mortality rate and salary increase and how they affect the cost on the system if the actual occurrence met the assumption.

A five-year smoothed market value of plan assets was used for the actuarial value of assets. Smoothing of gains and losses help reduce the volatility of the plan's value due to extreme market fluctuations. The actuarially determined employer contribution rate based upon the Board's adopted funding policy is 40.91%, an increase from 38.57% from the prior year. The employer contribution of 20.39% leaves a contribution shortfall of approximately 20% of payroll.

The market asset returns averaged 9.84% versus the assumed rate of return of 7.00%, while the actuarial rate of return averaged 5.32%. A COLA or bonus check was not recommended by the actuary due to the

current funding position. Joey Hager motioned to accept the Annual Actuarial Valuation Report and Sheila Simpson seconded the motion. The motion carried unanimously.

III. REPORTS

Investment Committee Report – John Carr

The Total Fund returned .75% over the course of the Second Quarter 2024, trailing the Custom Index return of 1.41% and ranked at the 85th percentile in the Callan Public Fund Sponsor Database. As of June 30, 2024, the Total Fund market value was \$647,237,271.

Callan provided a Real Estate Review analysis which included the comparison of the current CFRS real estate structure to peers as well as other investment vehicles. The CFRS' real estate investment target of 11% contains core real estate only compared to peer's targets of 7% core real estate and 4% alternatives. The report reflected the current real estate structure to be appropriate. However, to smooth near-term volatility within the 11% target allocation an option could include adding a complimentary core real estate open-ended commingled fund to further diversify the existing manager structure. The committee will be discussing this topic in the upcoming months.

The committee motioned and approved a \$4MM cash draw for operating expenses from the SSgA Russell 1000 Index Fund.

Watch List Update

JPMorgan, William Blair, and Morgan Stanley remain on the watch.

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

Benefits Committee Report – Melinda Manning

Melinda Manning provided a summary of the Benefits Committee Meetings since the July 25, 2024 Board Meeting.

During the second quarter, the Benefits Committee continued vetting the suggested options for pension reform as directed by the Board which included: The City contribution increase to reach the full Actuarial Determined Employer Cost (ADEC) by July 1, 2029 increasing the EE contribution rate to 14% for current members and new hires, changing the definition of Compensation to Annual Base Salary for new hires only, changing the Final Average Salary (FAS) from a 2-year average period to 3-years for new hires only, eliminating 2-year accrual of Unused Sick time from FAS, capping Unused Sick time accrual to not exceed the total number of annual sick days allotted by the City Council multiplied by the number of years of total membership. Section 54 for Errors has been enhanced and a statute of limitation period for the recapture of overpaid benefits was included.

The Committee motioned for the Act edits as presented. However, the definition of Compensation needed further discussion by the Board so a special meeting will be scheduled to discuss the definition and removed from the edits to be voted on. An edit was suggested for capping the employee contributions not to exceed a 1.5% rate increase per year and not to exceed the City's contribution rate. Also included in the motion were the previously approved Amendment changes which were presented to the City Council in 2021 for approval.

MOTION: Sheila Simpson motioned to approve the suggested Act amendments as presented with the edits to exclude the definitions of compensation and capping the employee contribution rate as noted. Ryan Pope seconded the motion. The motion carried with at least 6 affirmative votes and noted 1 opposed.

A special meeting to discuss the definition of compensation which will be presented to the City Council and legal for approval in January 2025, will be scheduled.

Joey Hager motioned to approve the Benefit's Committee report and Mike Feehley seconded the motion. The motion carried unanimously.

Administrator Report – Sandy Thiry

Due to agenda topics that required attention, Sandy Thiry directed the Board to the printed Administrator's report and noted that the financial reports were included. She advised that there were no issues or areas of concern. She informed the Board that most of the quarter had been spent on WorkDay go live issues and implementing new processes with the co-sourcing to CBIZ.

The Board discussed the upcoming conferences which included NAPPA Winter Seminar, Charlotte, March 1st - 3rd, 2025 NASRA Winter Conference, Washington DC, March 1st - 3rd, 2025 and noted the Callan Conference will be held April 27th - 29th, 2025.

MOTION: Matt Hastedt motioned for Lisa Flowers to attend the NAPPA Winter conference and Kim Heffernan seconded the motion. The motion carried unanimously.

Matt Hastedt 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 October Board meeting.

The Board took a short break from 10:17 a.m. to 10:25 a.m.

Melinda Manning motioned to enter Closed Session at 10:25 a.m. pursuant to North Carolina General Statutes §143-318.11(a)(3) to consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body. Discussion will pertain generally to the attached lawsuit, which is a public document. Sheila Simpson seconded the motion. The motion carried unanimously.

Melinda Manning motioned to go into Open Session at 11:13 a.m. and Teresa Smith seconded the motion. The motion carried unanimously. The Board hired Mr. Tory Summey from Parker Poe as legal counsel in regard to the Smith-Phifer settlement.

ADJOURNMENT

Joey Hager motioned to adjourn at 11:15 a.m. Mike Feehley seconded the motion. The motion carried unanimously.

Next Regular meeting is scheduled for Thursday, January 23, 2025.

cc: Lisa Flowers, Assistant City Attorney