

# CHARLOTTE FIREFIGHTERS' RETIREMENT SYSTEM

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## QUARTERLY BOARD MEETING MINUTES

January 23, 2025

**PRESENT:** Vanessa Heffron – Chair, John Carr (left at 10:13 a.m.), Melinda Manning, Joey Hager, Matt Hastedt, Sheila Simpson (left at 9:37 a.m.), Kim Heffernan, Mike Feehley, Ryan Pope, Teresa Smith (arrived at 8:06 a.m.)

**ABSENT:** Kevin Gordon

**STAFF:** Sandy Thiry (via phone), Ty Phelps, Desiré Dixon, Michelle Maxwell, and Lisa Flowers - Sr. Assistant City Attorney

**GUESTS:** Dan Gougherty – Cherry Bekaert, Tim Rogers (left at 8:20 a.m.), Tom Brewer (left at 8:20 a.m.), Tony Bass

## AGENDA

**CALL TO ORDER** by Vanessa Heffron at 8:01 a.m. This meeting took place in person at the CFRS office.

### I. PUBLIC FORUM

Retiree Tim Rogers introduced himself and informed the Board that his personal information had been compromised and it impacted his account on the retiree portal. Due to the compromise, his pension payment for December 31, 2024 was diverted to an unauthorized account. He requested assistance from the Board to resolve this situation and recover funds.

Sandy Thiry advised the Trustees that a few months prior, someone attempted to access that same member's information by calling the CFRS office. Because of the diligence of a CFRS staff member that attempt was prevented and the member was notified. The CFRS Staff and US Bank have been working through fact gatherings, security protocols, and are monitoring his account. The Board assigned this issue to the Benefits Committee for further review.

### II. CONSENT CALENDAR

Melinda Manning motioned to include the November 13, 2024 Special Board Meeting minutes in the Consent Calendar and approve the Consent Calendar which consisted of the October 23, 2024 Board Meeting minutes, Schedule of Retirements, and the Expense Reports. Kim Heffernan seconded the motion. The motion carried unanimously.

### II. BOARD GOVERNANCE

The Board reviewed the Governance Calendar and the Annual Audit. Dan Gougherty with Cherry Bekaert provided the audit results and informed the Trustees that an unmodified (clean audit) opinion was issued. The financial statements were presented fairly, in all material aspects, in accordance with the applicable financial reporting framework. No material weaknesses were identified and no significant deficiencies were reported.

He noted the funding level was 68.8% as of July 1, 2024 which was down from 70.1% in July 1, 2023. Major contributing factors to the funding level decrease were negative investment returns based on the five-year actuarial smoothing method for asset returns, higher than anticipated salary increases, and a

reduction in the investment rate of return. The employee's current contribution rate is 12.65% and the City's contribution is 25.31%.

Ryan Pope motioned to accept the Annual Audit Report and John Carr seconded the motion. The motion carried unanimously.

The last Experience Study was done as of FY2019 and is due to be performed again. Sandy Thiry received quotes from CavMac and CBIZ. It will take 6 to 9 weeks to complete the study. Although CBIZ's fee was slightly higher than CavMac's, selecting CBIZ provides a secondary peer review of the annual valuation process. This added review will enhance the related fiduciary oversight process.

Ryan Pope motioned to accept CBIZ to complete the Experience Study and John Carr seconded the motion. The motion carried unanimously.

### **III. REPORTS**

#### **Investment Committee Report – John Carr**

The Total Fund returned 6.08% over the course of the Third Quarter 2024, beating the Custom Index return of 5.77% and ranked at the 6th percentile in the Callan Public Fund Sponsor Database. Since inception, the Total Fund yielded a return of 8.77% and outperformed the Custom Index by 51 basis points on an annualized basis, ranking in the 11th percentile. As of September 30, 2024, the Total Fund market value was \$683,040,620.

Callan reviewed the annual investment fee analysis for all of CFRS' money managers. All manager fees were in-line, or below, their respective peer groups. The Committee along with Callan discussed the Core Real Estate and International Equity structures within the portfolio, including an option to add a complimentary core real estate open-ended commingled fund to further diversify the existing manager structure. The Committee also interviewed potential International Equity Manager candidates that would complement the System's asset allocation and long-term goals. The Committee recommends terminating Morgan Stanley and replacing them with Westwood Global Investments.

**MOTION:** The Investment Committee motioned to hire Westwood Developed Markets ex-US Equity Fund as a replacement for Morgan Stanley International Equity Fund and Sheila Simpson seconded the motion. The motion carried unanimously.

#### **Watch List Update**

JPMorgan, William Blair, and Morgan Stanley remain on watch. Morgan Stanley International Equity Fund was placed on watch effective June 20, 2024 due to performance issues pursuant to the Investment Policy Statement.

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

#### **Benefits Committee Report – Melinda Manning**

Melinda Manning provided a summary of the Benefits Committee Meetings since the October 24, 2024 Board Meeting.

The Committee discussed the Social Security Fairness Act that was approved by the Senate and signed by President Biden on January 5, 2025. This Act will repeal the Windfall Elimination (WEP) and the Government Pension Offset (GPO) provisions. The challenges of implementing this Act include recalculation of benefits paid after December 2023 and how to pay the retroactive benefits.

NASRA's Annual Public Fund Survey has been published. The Summary of Findings includes the aggregate funding level in FY2023 for plans surveyed was 76.4%, which was up from 76.1% in FY2022, and that the aggregate actuarial value of assets grew in FY23.

Staff had alerted the Benefits Committee in their January meeting that a retiree's access to US Bank's portal experienced fraudulent activity. Staff has been working with USBank to try and determine the source of breach.

The Committee discussed the Disability Regulations. Due to the magnitude of medical records that need to be reviewed for recent applications, Sandy began researching opportunities to outsource the Disability process by managing applications and determining eligibility that could save the System money and provide efficiencies. The Board gave the Committee and Staff direction to continue doing research.

The Committee also discussed the sick and vacation conversion policy and tabled the Board's review of this policy to a future meeting.

The Staff and the legal counsel worked together to draft the funding initiative request to the City. The package was delivered to the Mayor and City Manager early January 2025.

Matt Hastedt motioned to approve the Benefit's Committee report and John Carr seconded the motion. The motion carried unanimously.

#### **Administrator Report – Sandy Thiry**

Sandy Thiry discussed the Administrator's report and noted that the financial statements were also included. She advised that there were no issues or areas of concern.

The Board discussed the upcoming conferences which include Callan's Annual Conference in Scottsdale, AZ from April 27 -29, 2025, NCPERS Annual Conference in Denver, CO from May 18-21, 2025, GFOA National Annual Conference in Washington, DC from June 29-July 2, 2025, and GFOA Membership for Tony Bass.

**MOTION:** Melinda Manning motioned for Michelle Maxwell to participate in Callan's Virtual Conference from March 11-13, 2025; Vanessa Heffron, Melinda Manning, John Carr, Joey Hager and Kim Heffernan to attend Callan's National Conference in Scottsdale, AZ from April 27 -29, 2025; Joey Hager, Mike Feehley and John Carr to attend NCPERS Annual Conference in Denver, CO from May 18-21, 2025; Tony Bass, Matt Hastedt, Betty Mattos and Sheila Simpson to attend the GFOA National Annual Conference in Washington, DC from June 29-July 2, 2025; and pay the GFOA Membership for Tony Bass. John Carr seconded the motion. The motion carried unanimously.

Sandy informed the Board of the ongoing issues with WorkDay and the update for co-sourcing to CBIZ. The City is aware of the issues and working through them but due to limited resources, it is taking longer to resolve them.

The Charlotte National Building (CNB) Condo owners were served with a lien for non-payment of a HVAC unit. The unit was replaced in the spring with a refurbished unit which now has performance issues. Payment was withheld until issue with the unit could be resolved within the next few weeks.

Anthony Fox, legal counsel for the System's Administrator for disability hearings, retired from Parker Poe in December 2024, and accepted an interim position with the City of Charlotte. This leaves a void and the options of retaining a new attorney and firm or staying with Parker Poe with a new attorney, or the possibility of using an attorney from the City of Charlotte Attorney's office, other than Lisa Flowers.

MOTION: Mike Feehley motioned to extend the services with Parker Poe and John Carr seconded the motion. The motion carried unanimously.

The Charlotte Firefighters Retirement System's website must be made ADA compliant in 2026. It is unclear at this time what communication improvements should be made but will address the requirements with the website developer and legal counsel for guidance.

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

#### **IV. NEW BUSINESS**

No new business was presented during the January Board meeting.

The Board took a short break from 9:47 a.m. to 9:51 a.m.

Melinda Manning motioned to enter Closed Session at 9:51 a.m. pursuant to North Carolina General Statutes §143-318.11(a)(6) to consider the performance of members of the System's staff. John Carr seconded the motion. The motion carried unanimously.

Melinda motioned to go into Open Session at 10:20 a.m. and Ryan seconded the motion. The motion carried unanimously. The Board took action providing merit raises to the System's staff members.

#### **ADJOURNMENT**

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

**Next Regular meeting is scheduled for Thursday, April 24, 2025.**

cc: Lisa Flowers, Assistant City Attorney

