

**MEETING OF THE TRUSTEES**  
**CITY OF CHATTANOOGA GENERAL PENSION PLAN**

**August 21, 2014**

The regular meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on August 21, 2014 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Steve Perry, Katie Reinsmidt, Erskine Oglesby, Carl Levi, Aon Miller, and Stacy Richardson. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; Robert Longfield and Scott Arnwine, Gavion, LLC; Todd Dockery, Madeline Green and Cheryl Powell, City Human Resources Department.

The meeting was called to order by Chairwoman Daisy Madison. Daisy introduced Stacy Richardson to the rest of the board and attendees.

A quorum was present at the beginning of the meeting.

**Approval of Minutes**

***Katie Reinsmidt made a motion to approve the minutes of the May 29, 2014 meeting. Steve Perry seconded the motion. The minutes of the meeting were unanimously approved.***

**Administrative Actions**

Cheryl Powell presented the benefit and plan expenses in the General Pension Plan and OPEB Trust administrative action reports, attached to the end of these minutes.

Cheryl Powell discussed some of the issues in implementing the LTD program and offered two examples of recent administrative actions to show the difficulty. She provided some background notes about the history behind the structure of the LTD benefit and the cost split with the City of Chattanooga. The administration of this benefit is difficult because the insurance provider does not see a connection between the LTD insurance and the pension plan due to the nature of the split funding. The insurance provider is directly contracted by the City and their contacts are City benefits employees. The questions posed to the board relate to the desired level of board involvement in acquisition and implementation of LTD insurance, the enactment of rules for the disability program, and the method of funding. The City Benefits Office is interested in clarity in administration of this important benefit.

***Carl Levi made the motion to approve the administrative actions. Erskine Oglesby seconded the motion. These administrative actions were unanimously approved by the Board.***

**Class Action Claim, Signature required**

Teresa Laney from First Tennessee Bank presented a class action claim for Focus Media Holding Limited which was held in the Insight Capital account during the class action period. The filing had to be done on paper and required Daisy's signature.

***Carl Levi made the motion to sign and file the class action claim. Aon Miller seconded the motion. The motion was approved by the Board.***

#### **International Equity Manager Search – Gavion**

Robert Longfield provided a handout of the results of the research for a replacement for the Thornburg funds that were terminated during the summer. Evaluating the candidates, all large cap managers, and comparing their profiles, historical return patterns and exposure, the recommendation is to go with Oppenheimer funds (OFI). While it is not necessary for this manager selection, the Board could also decide to bring in managers for interview. The mutual funds will be purchased unless the expenses are more favorable with the commingled trust. Robert will communicate with Teresa on the purchase.

*Erskine Oglesby made the motion to accept the recommendation of Gavion for Oppenheimer funds. Aon Miller seconded the motion. There was no further discussion. The motion carried.*

#### **Greenspring Private Equity Opportunity -- Gavion**

Robert Longfield provided a handout describing the open opportunity to invest in Greenspring Private Equity (Greenspring Opportunities Direct Investments or GO III funds). This is the opportunity missed early in the year when the fund closed before the board met to vote. A small window of opportunity to participate with \$5M has opened. The Greenspring funds are the best performing of the four private equity funds in the portfolio. The funding is slowly accomplished through capital calls with the initial call of \$500,000.

*Aon Miller made the motion to participate in the Greenspring GO III funds. Katie Reinsmidt seconded the motion. There was no further discussion. The motion carried.*

#### **Investment Statement of Objectives - Gavion**

Scott Arnwine presented the proposed changes to the Statement of Objectives document with the edits necessary to reference both the General Pension Plan and the OPEB funds. The investment policies for the two funds will be the same. In the appendix, the target asset allocation will be separately specified in Exhibits A (General Pension) and B (OPEB). A few edits were suggested for the Exhibits to reflect the current asset allocation for the two funds.

*Carl Levi made the motion to accept the proposed changes to the Statement of Investment Objectives document. Aon Miller seconded the motion. The motion carried.*

Recommended edits will be made and the entire document will be provided at the November meeting for signature.

#### **Performance Review 2Q14 -- Gavion**

Robert Longfield indicated that there were improvements in some areas of the economy during the second quarter. While the overall outlook for the US economy is positive, there are areas with sluggish activity. Our active managers have met the challenges with some success but not without struggles.

Scott Arnwine provided a review of page 2 of the investment results handout. Mr. Arnwine noted that the returns for the quarter were greater than the actuarial assumption. The manager's struggles are evident in the performance results which lagged the objectives except for hedge funds and fixed income segments. There is a violation noted in the fixed income segment where the percentage invested is below target, mainly due to liquidations to pay benefits. This is believed to be of short duration, but requires board action to make an adjustment. The potential offset to this violation is to liquidate \$2 M of the Pointer funds, where we are in excess of the target, and move it to the fixed income assets. This transaction can be accomplished in January, under the rules of the fund operation, to bring the portfolio into compliance. The redemption request would be needed by September 15 for a January transaction.

***Erskine Oglesby made the motion to liquidate \$2M of the Pointer funds and allocate to fixed income. Steve Perry seconded the motion. There was no further discussion. The motion carried.***

Overall, the managers were above or very near the benchmark index. For equities, the challenges are evident with some funds lagging. Hedge funds performed well with particular notice to Pointer. Fixed income funds outperformed the overall benchmark. Robert indicated that from an asset allocation perspective to increase returns, it may be time to consider private debt and private real estate for the pension plan portfolio, similar to the consideration for the recent OPEB study.

#### **Adoption of Amended and Restated Bylaws**

Valerie Malueg presented the Board with a revised copy of the bylaws incorporating all of the changes that had been discussed in the last board meeting and a draft of the Resolution that would make the changes effective.

There was additional commentary or highlight of the requested changes regarding item L, Article 4C (authorization of officers to sign and preside at meetings in Chair unavailable/absent), Article 6 regarding annual audit report, and Indemnification on page 6 regarding advancing legal expenses; change in word 'monthly' on Article 11.

***Steve Perry made the motion to accept the revised version of the Amended and Restated Bylaws. Katie Reinsmidt seconded the motion. There was no further discussion. The motion carried.***

The Resolution will be provided to Carl Levi, Secretary for signature.

#### **Election of Officers**

For the benefit of new board members, the existing slate of officers was provided. Chair is Daisy Madison, Vice-Chair is Katie Reinsmidt, and Secretary is Carl Levi.

***Steve Perry made the motion to maintain the existing roster of officers for another term. Stacy Richardson seconded the motion. The motion carried.***

#### **Report from Counsel**

Daisy provided some background for this document. A Pension Plan Funding Policy is a new requirement of the State of Tennessee to ensure that the pension plans are funding the promised benefits. This policy must have the review and approval of the Actuary and be accepted by the board. A first draft of the funding document was provided by Cavanaugh Macdonald Consulting for consideration. The document addresses the GASB reporting as well as the funding of the plan. The board was charged to review the document for comments or suggestions for reasonable pension funding policies. This document will be an agenda item for board action at the next meeting.

This document has the purpose of ensuring that a plan exists for funding benefits as opposed to the GASB which addresses reporting requirements and disclosures on financial statements.

The meeting was adjourned by Daisy Madison.

**CITY OF CHATTANOOGA GENERAL PENSION PLAN  
ADMINISTRATIVE ACTIONS**

**Meeting of Trustees  
August 21, 2014**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Ballard, Janice	Human Services	Rule of 80	no	\$1,028.65	8/1/2014		
Cooke, Gregory	911 communications	Rule of 80	B	\$2,072.78	6/1/2014	\$88,138.16	
Crutcher, Bobby	Public Works	Normal	B	\$641.98	8/1/2014		
Davidson, Dennis	Public Works	Normal	no	\$458.35	6/1/2014		
Davis, Deborah	Human Services	Rule of 80	no	\$1,895.95	6/1/2014	\$47,854.57	
Edwards, Helen	General Services	Normal	no	\$231.16	8/1/2014		
Evans, Michael	Police Services	Normal	B	\$869.85	7/1/2014		
Garner, Debra	General Services	Imm Early	no	\$269.63	8/1/2014		
Grier, Malcolm D.	Public Works	Normal	A	\$2,483.76	7/1/2014	\$107,888.23	
Johnson, Eileen	Library	Normal	no	\$1,698.73	7/1/2014		
Manghane, Dwight	Public Works	Normal	B	\$903.78	6/1/2014		
Marshall, Dennis	Public Works	Imm Early	no	\$122.98	8/1/2014		LTD
Norman, Terri	Police Services	Normal	A	\$992.82	6/1/2014		
Oliver, Herman	Library	Normal	no	\$1,233.64	7/1/2014		
Saddler, Edward	Public Works	Normal	B	\$644.41	7/1/2014		
Treadway, Susan	Library	Normal	A	\$450.24	8/1/2014		vested
Volz, Joachim	Public Works	Normal	B	\$2,378.01	6/1/2014		
Wardell, Theresa	Library	Imm Early	no	\$309.96	8/1/2014		vested
Williams, Clarence	YFD	Rule of 80	C	\$2,121.78	8/1/2014	\$91,528.73	
Williams, Gary H.	Public Works	Normal	no	\$1,210.01	7/1/2014		

Count 20

**BENEFIT REVISIONS/CONVERSIONS - PENDING BOARD REVIEW/APPROVAL**

NAME	TYPE	Option	Previous amount approved	Revised amount Effective date
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**SELECTION OF OPTIONAL BENEFIT REPORT - VESTED OR ATTAINED AGE 62 OR GREATER**

NAME	OPTION	Effective Date
Patrick Bowen	B	6/9/2014
Edwin Prichard	B	6/11/2014
Dennis Marshall	A	7/11/2014
Emeri Gordon	B	7/17/2014
David Williams	B	8/6/2014
Deborah Shepherd	A	8/12/2014
Julia M. Lewis	A	8/8/2014

**DISABILITY BENEFIT REPORT**

NAME	TYPE	Employee Number	Monthly Benefit Amount	Effective Date	Notes
Leon Clark	not job related	68839	1295.19	6/27/2016	\$146.79 net

**LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)**

**Return of contributions**

NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Ball, Tara	Airport	na	\$677.72	5/7/2014	
Bassett, Phillip	Public Works	69524	\$925.12	6/8/2014	
Burchfield, Stephen	Fire Resource	71834	\$224.05	3/12/2014	automatic
Clark, Leon	Public Works	68839	\$1,105.26	6/13/2014	
Crumley, Michell	ECD	63195	\$2,893.04	5/8/2014	
Daniels, April	Human Services	62837	\$5,046.71	5/16/2014	
Eaton, Bryan	General Government	71953	360.73	4/21/2014	automatic
Eckert, Doug	General Government	69037	\$3,469.99	3/14/2014	automatic
Eveland, Daniel	Library	70893	\$932.64	3/14/2014	automatic
Harris, Carneisha M	Public Works	62772	\$3,483.05	7/11/2014	vested
Harris, Michael R	Police services	62715	\$2,972.82	6/10/2014	
Hendricks, James	Transportation	71167	\$693.70	6/25/2014	
Jacson, Tyerrence	Public Works	63149	\$2,574.74	6/17/2013	vested
Loundmonclay, Juanita	Mayor Office	67211	\$508.53	4/24/2014	automatic
Nelson, Deryl H	Parks	62751	\$3,527.96	5/28/2014	
Russell, Veronica	YFD	61826	\$4,582.43	7/16/2014	vested
Sewell, John	Public Works	67910	\$1,562.38	6/19/2014	
Strong, Patricia	Police services	73245	\$74.97	7/25/2014	
Sullivan, Jason	Public Works	71143	441.44	5/8/2014	automatic
Watkins, Ronda	Human Services	62037	\$3,514.61	5/30/2014	
Watts, Derek	Public Works	67169	\$1,230.34	6/13/2014	
Womble, Brian	Public Works	72795	\$84.33	5/16/2014	automatic

**Return of deceased retiree basis**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Wayne Lucas	Ruby Lucas	4/30/2014	\$587.01	
Cannon, Stuart	Betty J. Cannon	6/19/2014	\$905.56	
Wilkerson, Paul	Jeanette Wilkerson	6/10/2014	\$126.93	

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total		227,399.22		FY2014
Cavanaugh Macdonald	1,324.00		6/30/2014	Funding policy and disclosures
Chattanooga Times Free Press	40.80		6/30/2014	Meeting ad 5/22/2014
Gavion, LLC	25,000.00		6/30/2014	Investment consulting services
First Tennessee Bank	29,431.20		6/30/2014	Administrative expense
<b>COMPANY TOTAL</b>	<b>55,796.00</b>	<b>283,195.22</b>		

***Investment Managers -- Fees Paid***

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Prior quarter total		373,039.44		FY2014
Patten & Patten	11,425.61		6/30/2014	Investment management fees
Insight	22,591.05		6/30/2014	Investment management fees
Kennedy Capital Management	14,815.00		6/30/2014	Investment management fees
Chartwell	7,319.48		6/30/2014	Investment management fees
Wedge Capital	33,326.67		6/30/2014	Investment management fees
Herndon	1,069.86		12/31/2013	Investment management fees
Herndon	986.63		3/31/2014	Investment management fees
Herndon	50,609.09		6/30/2014	Investment management fees
The London Company	15,619.80		6/30/2014	Investment management fees
SMH Capital Advisors	35.87		3/31/2014	Investment management fees
SMH Capital Advisors	38.94		6/30/2014	Investment management fees
<b>MANAGER TOTAL</b>	<b>157,838.00</b>	<b>530,877.44</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			

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**COMPANY TOTAL**

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**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Prior quarter total		3,313,954.00		FY2014
Thornburg	34,000,000		6/11/2014	full redemption (request date)
Prudential	750,000		7/17/2014	transfer to pay benefits
Prudential	650,000		8/18/2014	transfer to pay benefits

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**MISCELLANEOUS TOTAL      35,400,000.00      38,713,954.00**

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**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Prior quarter total		118,632.24		FY2014
ING	14,641.96		5/31/2014	Long Term Disability (50%)
ING	14,641.96		6/30/2014	Long Term Disability (50%)
ING	15,193.66		7/31/2014	Long Term Disability (50%)

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**TOTAL                                      44,477.58                                      163,109.82**

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**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	QUARTER ENDING	PURPOSE
Prior quarter total		\$7,805.93		FY2014
First Tennessee	4,456.26		6/30/2014	Administrative Expense
<b>COMPANY TOTAL</b>	<b>4,456.26</b>	<b>\$12,262.19</b>		

***Investment Managers -- Fees Paid***

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	QUARTER ENDING	PURPOSE
Prior quarter total				
<b>MANAGER TOTAL</b>				

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	QUARTER ENDING	PURPOSE
Prior quarter total				
<b>COMPANY TOTAL</b>				

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Prior quarter total		0.00		FY2014
Thornburg	3,700,000		6/11/2014	full redemption (request date)
<b>MISCELLANEOUS TOTAL</b>	<b>3,700,000.00</b>	<b>3,700,000.00</b>		



APPROVED:

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Secretary