

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 19, 2015

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 19, 2015 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Erskine Oglesby, Aon Miller, Carl Levi, and Steve Perry. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; Scott Arnwine, Gavion, LLC; and Madeline Green and Cheryl Powell, City Human Resources Department.

Definitions in the document: GPP is General Pension Plan, OPEB is Other Post-Employment Benefits

The meeting was called to order by Chair Daisy Madison.

A quorum was present at the beginning of the meeting.

Approval of Minutes

Carl Levi made a motion to approve the minutes of the August 20, 2015 meeting. Aon Miller seconded the motion. The minutes of the meeting were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter. Cheryl Powell called attention to the Intercontinental and Golden Tree capital calls as well as the transaction of liquidation for benefits.

Carl Levi made a motion to approve the administrative actions. Erskine Oglesby seconded the motion. The administrative actions were unanimously approved.

Cheryl Powell then presented two items for board considerations. The first is a revision of the form for Refund of Contributions made to the plan when an employee terminates either voluntarily or involuntarily as either not vested or vested but not yet eligible to retire. Cheryl explained the situations involving members where the effects of withdrawing contributions by terminating employees were not fully disclosed by the form prior to the decision, sometimes with severe consequences. The form has been expanded to include instructions and disclosure of "important information". The form for signature requires initials indicating "acknowledgement and understanding" of the effects. Additional items of information including a phone number are being requested on the form. There was a suggestion to have the signature of the beneficiary added to the form and have it notarized. Notarization is not a problem. There is a notary in the office. However, having the beneficiary sign may present some other issues. While Tennessee recognizes that the pension accrued during the marriage is marital property; however, the participant has the right of election, not the beneficiary.

There was discussion about the situation where someone involuntarily terminated takes the refund and then is reinstated. Currently there is no mechanism to allow the reinstated employee to 'buy back' the pension by paying back the amount of the refund. This would have to be addressed by the board as an ordinance amending the Plan.

Valerie Malueg indicated that the Special Tax Notice distributed with the form has not been reviewed to our knowledge. She suggests that the board authorize the expenditure of approximately \$2,500 to have the document reviewed by outside tax counsel.

Steve Perry made a motion to approve expenditure of up to \$2,500 to engage the appropriate tax attorney review the Special Tax Notice to ensure that it is an accurate and complete disclosure. Erskine Oglesby seconded the motion. The motion carried.

The second item is notice of the 3% cost of living adjustment to be applied to benefits January 1 at the same time that the adjustment for Social Security benefits for the next year is 0%. The lawsuit concerning cost of living adjustments has not yet been resolved, so Valerie recommends no action be taken on making changes to the cost of living adjustment. Cheryl suggested that Cavanaugh Macdonald could be asked to provide cost information that may be of benefit to the board by calculating the valuation with and without a future cost of living adjustment. After discussion, no request will be made for this calculation.

Statement of Investment Objectives – obtain signatures

Daisy Madison asked if the actions specified for the board in the Statement of Investment Objectives are actually carried out and should the document be amended. Specifically, the document references manager meetings with the board in Section VI.B.1. Scott Arnwine spoke to the activity that Gavion takes with managers. There was agreement that the language needs to be amended so that the board is not required to meet with managers. Daisy Madison suggests that the language in the first sentence of VI.B.1 be changed to say “At the Board’s discretion, managers may be asked to meet with representatives of the Board ...”.

Erskine Oglesby made a motion to amend the Statement of Investment Objectives Section VI.B.1 by saying “At the Board’s discretion, managers may be asked to meet with representatives of the Board ...”, striking the second sentence, and leaving the third sentence to give discretion to the Board for meetings with managers. Aon Miller seconded the motion. There was no further discussion. The motion carried.

The Statement of Investment Objectives document was signed by the trustees present. Remaining signatures of those members not present will be sought as soon as practicable. The section above will be amended and the final document distributed.

Performance Review Third Quarter 2015 - Gavion

Scott Arnwine provided the review of investment performance. The material provided included separate summaries for GPP and for OPEB beginning this quarter with October estimates for each fund.

Because the third quarter was volatile, Scott also included comments about October results. Throughout the year, the federal rate hike has been anticipated but not implemented. Additionally, market results, devaluation of the currency and slower growth in China added to the negativity. The result was that two of the most violent trading days in history, defined as being more than 4 standard deviations from the norm, occurred in August 2015. There has been some rebound in the markets in October.

In the investment summary book for the GPP, Scott noted that returns are down 5.1% for the quarter. He also pointed out that the total equity, down 8.3%, was not down as much as total stock, down 9.4%. Those managers that have a higher weight to energy in their portfolios had poorer performance than those who did not. He noted that there is an equity hedge funds violation in the allocation of assets, mainly in Pointer due to growth, relative to the maximum for the asset class. Within our portfolio, newly added OFI International Growth performed better than the benchmark.

The good news is that there are reversals occurring in October results although not all managers are rebounding equally. The federal rate hike is looming on the horizon, anticipated to occur 12/16/2015; however, it has likely already been priced into the market at this point. One factor affecting market volatility and also changing the character of the market is the impact of ETF (exchange-traded fund) and the high frequency trading, particularly late in the trading day. This is something to be aware of when evaluating results, even though there is no real evident solution to the problem.

Growth in the US is positive but slow. Sectors performing well today may struggle in the near future. Brandywine’s results in the quarter were affected by exposure to emerging markets with reversals beginning in October.

There are no recommendations for changes to the portfolio at this time. Herndon in equities and Aberdeen EMD in fixed income, both relatively new to the portfolio, are being monitored due to short term performance. Scott did mention that the asset allocation in the GPP portfolio is under study and that presentation will be made at a future meeting.

One action item to consider was presented. GoldenTree has triggered the keyman provision due to a managing director stepping down with a leave of absence for personal reasons and there is a form to be signed accepting the change being made to their management. The board needs to either accept the change or recommend a different action.

Carl Levi made a motion for the board to continue the partnership with GoldenTree while acknowledging that Steven Shapiro will cease to be actively involved in the business. Aon Miller seconded the motion. There was no further discussion. The motion passed unanimously.

OPEB funds are smaller in size and the separate summary book will help to focus on the funds results. OPEB results were down 5.9% in the quarter with reversals occurring in October. There are no portfolio allocation violations in the OPEB funds.

Teresa Laney requests a liquidation of \$750,000 in funds to pay benefits for November.

Erskine Oglesby made a motion to approve liquidation of funds in November from the GPP Russell 1000 ETF in the amount of \$750,000 for the purpose of making benefit payments. Aon Miller seconded the motion. There was no further discussion. The motion carried.

Report from Counsel

Valerie Malueg reported on the lawsuit involving a dispute about retirement benefits for a participant who left employment on a job related LTD, which allows for accrual of service credits while on LTD. The disability was terminated after two years by the carrier limiting the service credits accrued. The case was settled successfully in the City's favor.

Valerie issued a reminder about the training session for all board members tomorrow, November 20, at noon..

There being no other business, ***Erskine Oglesby made a motion to adjourn and Steve Perry seconded the motion.*** The meeting was adjourned by Daisy Madison.

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

**Meeting of Trustees
November 19, 2015**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Banks, James L	Public Works	Normal	A	\$2,705.04	9/1/2015	\$119,403.47	
Burns, Lawrence F.	General Government	Imm Early	no	\$2,283.15	10/1/2015		
Copeland, Willie	Public Works	Normal	A	\$1,057.14	12/1/2015		
Dolberry, Kenneth D.	General Services	Rule of 80	C	\$1,689.43	11/1/2015		
Fuqua, Linda S	ECD	Imm Early	A	\$146.91	10/1/2015		
Johnson, Carla	EAC	Normal	A	\$634.74	10/1/2015		
Ladd, Julie	Police Services	Rule of 80	no	\$1,484.55	12/1/2015	\$56,800.76	
McGee, Ty L	General Services	Rule of 80	B	\$1,227.48	9/1/2015	\$52,143.70	
McMahan, Gail	Headstart	Normal	no	\$895.22	9/1/2015		
Murray, Tracy L	Public Works	Rule of 80	A	\$1,409.30	10/1/2015	\$54,942.43	
Posely, Jeffery	Public Works	Rule of 80	B	\$1,712.80	10/1/2015		
Preston, Regina	YFD	Imm Early	no	\$1,096.86	11/1/2015		
Robinson, Walter L	Public Works	Rule of 80	B	\$1,058.30	9/1/2015		
Storey, Donna	Human Services	Imm Early	A	\$693.07	9/1/2015		vested
Templeton, William R	Public Works	Imm Early	no	\$348.51	9/1/2015		vested
Thompson, Sonja	Public Works	Normal	only	\$1,141.71	9/1/2015		BF of Melvin Thompson
Tory, Calvin	Public Works	Normal	no	\$287.82	11/1/2015		

Count	17	\$19,872.03	\$283,290.36
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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
Robin E. Cabrera	B	9/25/2015
Jeffery Posely	B	10/8/2015

DISABILITY BENEFIT REPORT

NAME	TYPE	Employee Number	Insurance		Effective Date	Notes
			Benefit Amount			
Kerley, Mark	job related	63092	\$1,537.64		3/20/2015	retroactive
Posely, Jeffery	not job related	41215	\$2,557.84		9/9/2015	

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions		\$50,476.25		22	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Adams, Mimi	Human Services	66881	\$182.69	8/7/2015	
Besley, Montrell	YFD	63006	\$5,249.35	11/1/2014	vested
Chandler, Russell	Transportation	70694	\$1,308.44	8/6/2015	
Goldberg, Phillip Brent	Mayor office	71424	\$5,162.12	9/30/2015	
Hunt, Courtney	Library	71835	\$1,140.19	7/31/2015	
Jordan, Maria C.	Finance	66941	\$2,578.20	10/9/2015	
Kerley, Mark	Public Works	63092	\$3,978.60	9/3/2015	
Kilgore, Patty	Human Services	64314	\$1,710.74	9/4/2015	vested
McDougal, Donald Mark	General Services	67434	\$3,473.09	9/4/2015	
Moloney, William	Public Works	72674	\$912.52	9/4/2015	
Moore, Kinberly	YFD	68750	\$1,693.85	8/24/2015	
O'Malley, Misty	Finance	68196	\$3,328.87	9/18/2015	
Sales, Adrienne	Human Services	65761	\$2,614.11	8/5/2015	vested
Schmeichel, Christopher	Public Works	75851	\$29.50	6/30/2015	automatic
Shackelford, Carlos	Public Works	67895	\$2,136.60	9/8/2015	
Sims, Kavin L	Public Works	72706	\$635.99	6/15/2015	automatic
Staats, Ernest	General Government	74030	\$1,263.61	6/26/2015	automatic
Stanley, Sterling Grant	Public Works	67129	\$2,910.37	7/3/2015	automatic
Stone, Markum E	General Services	68876	\$3,803.27	7/1/2015	automatic
Tesson, James E	Public Works	72594	\$851.39	6/8/2015	automatic
Totherow, Mary	Human Services	61700	\$4,642.29	7/19/2015	vested
Vinson, Shaunte	General Government	71952	\$870.46	9/4/2015	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Nell Willis	Annie Mathis	9/23/2015	\$786.58	
Harold Jackson, Jr	Harold Jackson, Sr	10/20/2015	\$752.78	
Ophelia Eason	Harold Jackson, Sr	10/20/2015	\$752.78	
Sheila Doucette	James F. Simon	8/16/2015	\$1,157.14	
Albert David Jones	James Marler (active)	8/10/2015	\$8,310.22	
Natalie Shealy	John Shealy	2/26/2013	\$375.85	18 this year
William D. Sanford	Shirley Collins Jenkins	10/17/2015	\$1,223.75	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		242,675.53		FY2015
		70,595.83		FY2016
Cavanaugh Macdonald	7,450.00		9/30/2015	GASB 67 & 68 7/31/2015
Cavanaugh Macdonald	1,584.00		9/30/2015	2014 GASB 67 & 68 8/31/2015
Cavanaugh Macdonald	5,332.00		9/30/2015	2015 GASB 67 & 68 9/30/2015
Chattanooga Times Free Press	30.80		9/30/2015	Meeting ad 8/13/2015
Gavion, LLC	25,000.00		9/30/2015	Investment consulting services
First Tennessee Bank	31,199.03		9/30/2015	Administrative expense
City of Chattanooga Human Resources				
COMPANY TOTAL		70,595.83		70,595.83

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		626,217.98		FY2015
		139,942.76		FY2016
Chartwell	7,269.24		9/30/2015	Investment management fees
Herndon	42,213.62		9/30/2015	Investment management fees
Insight	19,982.68		9/30/2015	Investment management fees
Kennedy Capital Management	15,700.00		9/30/2015	Investment management fees
Patten & Patten	11,409.31		9/30/2015	Investment management fees
The London Company	14,145.00		9/30/2015	Investment management fees
Wedge Capital	29,222.91		9/30/2015	Investment management fees
MANAGER TOTAL		139,942.76		139,942.76

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			
Delta Venture Partners II, LP			distribution
SEC vs Dollar General Corp	97.35	10/8/2015	distribution

COMPANY TOTAL	97.35	97.35	
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		5,000,000.00		FY2015
Fiscal Year to Date		9,318,000.00		FY2016
iShares Russell 1000 liquidation	750,000		10/15/2015	to pay benefits
iShares Russell 1000 liquidation	168,000		10/16/2015	GoldenTree capital call
Wedge #W01036	4,200,000		10/7/2015	for Intercontinental capital
Herndon	4,200,000		10/7/2015	for Intercontinental capital
MISCELLANEOUS TOTAL	9,318,000.00	9,318,000.00		

REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year to date		154,471.89		FY2015
Fiscal Year to date		11,218.04		FY2016
VOYA			7/31/2015	Long Term Disability (50%)
VOYA	11,218.04		8/31/2015	Long Term Disability (50%)
VOYA			9/30/2015	Long Term Disability (50%)
VOYA			10/31/2015	Long Term Disability (50%)
TOTAL	11,218.04	11,218.04		

**CITY OF CHATTANOOGA OPEB TRUST
 ADMINISTRATIVE ACTIONS**

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		\$16,432.82		FY2015
		9,698.15		FY2016
Gavion, LLC	5,000.00		9/30/2015	Investment consulting services
First Tennessee	4,698.15		9/30/2015	Administrative Expense
COMPANY TOTAL	9,698.15	\$9,698.15		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		60,724.49		FY2015
		14,143.46		FY2016
Herndon	14,143.46		9/30/2015	Investment management fees
MANAGER TOTAL	14,143.46	14,143.46		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total				
COMPANY TOTAL				

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date				
from Cash	1,888,087.16		10/8/2015	for Intercontinental capital
MISCELLANEOUS TOTAL	1,888,087.16	1,888,087.16		

APPROVED:


Chairman


Secretary