

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

August 18, 2016

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on August 18, 2016 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Aon Miller, Stacy Richardson, Erskine Oglesby, and Carl Levi. Others attending the meeting were Valerie Malueg and Andrew Sevigny, City Attorney's Office; Steve McNally, 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 Secretary Carl Levi.

A quorum was present at the beginning of the meeting.

Approval of Minutes

Erskine Oglesby made a motion to approve the minutes of the May 26, 2016 meeting. Stacy Richardson seconded the motion. The minutes of the May 26, 2016 meeting were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter. Certain investment transactions were highlighted for the board including the approved allocation changes to the portfolio, the liquidation for pension payments, the Greenspring Capital call for August and the DTC Private Equity distribution.

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

Statement of Investment Objectives

Although Gavion had no suggested changes to the document, the members decided to delay discussion and defer the agenda item until the November meeting.

Carl Levi made a motion to defer discussion of the Statement of Investment Objectives until the November meeting. Erskine Oglesby seconded the motion. The motion passed unanimously.

Performance Review Second Quarter 2016 – Gavion

Scott Arnwine indicated that the second quarter consisted of increased short term volatility, partly due to the Brexit vote, but also to declines and then advances in the equity market. Emerging concerns include the volatility in global markets and the influence of the US Presidential election. Economic news has been generally good. On the other hand, job growth is down and GDP is approximately 1%. One looming question is whether the Fed will raise interest rates. Hints are that they will stay low. The unusual news is that utilities and telecom are the leading sector in the quarter. Our managers are not heavily invested in utilities or telecom and the results reflect this anomaly.

For the quarter ending 6/30/2016, the GPP portfolio was up 0.8% but below the fund benchmark. This result does not include the positive result for the quarter of Medley. Similarly the OPEB fund returned 0.8%, also

below the benchmark for that fund. Certain asset classes performed well while others performed poorly. Small cap managers outperformed large cap. International manager OFI struggled because of Brexit but results were also affected by non-UK Europe. REITs provided positive returns, but these are not captured every quarter. The hedge funds have had a difficult year thus far but results bounced back by the end of this quarter. Fixed income contributed positive results. Brandywine was helped by non-US bonds because these bonds were positive in their currency weightings. Scott provided a view of the results for July in anticipation of continued good results for the third quarter. The reallocation of assets in the GPP toward US fixed income during July should help improve results, given the current environment. OPEB results were similar among the asset classes, except OPEB is not invested in Real Estate. It is recommended that excess cash in each portfolio should migrate toward core fixed income where there is room to meet the allocation percentage objective. A small amount may eventually be allocated to Pointer.

Stacy Richardson made the motion to increase alternative investments and total fixed income up to the approved allocation percentage using existing cash balances in the OPEB fund. Erskine Oglesby seconded the motion. There was no further discussion. The motion carried.

A second question concerns the OPEB equity allocation and whether the fund should be active or passive, given the results of Herndon vs the index funds. Scott included a chart illustrating the rewards of passive management over the past two years as food for thought. This strategy avoids picking winners and losers; however, the follow-up question is whether this strategy produces sustainable results.

Report from Counsel

There was no additional report from counsel. The members did ask about the Helen McCuiston situation and what other actions could be taken. Cheryl is sending a letter to the named beneficiary who we believe shared her bank account. There was a lengthy discussion about the direct deposit payment process and what possible actions the City could implement to prevent this kind of situation in the future. Essentially this is a problem of unreported death. It may be of interest to find out if other cities have experiences where they did address the problem of unreported deaths and reduce the risk of overpayment. One problem stems from the variety of bank policies and account structures and ownership rights of amounts deposited. Another problem is that the bank account structure can change from the date of retirement until the date of death. Steve McNally from First Tennessee said there is no clear cut way to guard against this particular problem and that it is an ongoing problem for pension plans.

There being no other business, the meeting was adjourned by Carl Levi.

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

Meeting of Trustees
August 18, 2016

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Boyd, Tony L	Public Works BF of Gary Taylor	Rule of 80	B	\$2,789.20	8/1/2016	\$122,862.29	
Crawford, Marquita D.	DOD 5/27/2016	Imm Early	A	\$1,256.97	6/1/2016		ten year certain
Daniel, Virginia	Finance	Normal	A	\$1,287.15	8/1/2016	\$52,080.88	
Defriese, Gary M.	Library	Normal	no	\$1,919.67	6/1/2016		
Eason, Juanette	Human Services BF of James Francis	Normal	no	\$306.58	6/1/2016		100% survivor
Francis, Ryan M.	DOD 6/4/2016	Imm Early	B	\$380.55	7/1/2016		
Johnson, Janet M	Human Services	Normal	no	\$1,284.09	7/1/2016	\$52,123.39	
Keene, Janice	Library	Normal	no	\$706.82	8/1/2016		
Knapp, Susan	RPA	Imm Early	A	\$475.15	7/1/2016		
Koski, Nadine	Human Resources	Rule of 80	A	\$1,947.20	7/1/2016		
Lessman, Brian	Public Works	Rule of 80	no	\$2,845.26	6/1/2016	\$35,235.35	
Little, Kathy	Human Services	Imm Early	D	\$630.49	8/1/2016		vested
Reece, James P	Library	Normal	no	\$1,759.45	7/1/2016		
Rollins, Kimberly	General Services	Imm Early	D	\$541.64	8/1/2016		
Roper, William	Airport	Normal	no	\$1,533.24	8/1/2016	\$61,473.88	
Santos, David	General Government	Rule of 80	E	\$2,700.15	8/1/2016	\$121,250.35	
Saunders, Tonnette	Police Services	Normal	no	\$381.36	6/1/2016		
Sivley, Gary M.	ECD	Normal	no	\$799.58	6/1/2016		
Thomas, S. Daniel	City Court	Normal	E	\$1,070.29	6/1/2016		vested
Williams, Johnny	Public Works	Imm Early	no	\$545.11	6/1/2016		vested
Wolcott, Carla	Human Services	Rule of 80	no	\$1,358.27	6/1/2016	\$52,528.81	

Count	21	\$26,518.22	\$497,554.95
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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
Lurone Jennings	B	6/1/2016

DISABILITY BENEFIT REPORT

NAME	TYPE	Employee Number	Insurance	Effective Date	Notes
			Benefit Amount		
Joseph McKeel	job-related	38402		9/11/2016	currently on STD

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions		\$17,266.79		13	Notes
NAME	Department	Employee Number	Refund Amount	Termination Date	
Belknap, Ashley	Transportation	74277	\$1,023.39	5/4/2016	
Christopher, John G.	Public Works	76405	\$411.35	4/21/2016	
Cranfield, Kelly	Finance	76400	\$223.53	3/9/2016	
Del Pino Estrada, Manfredo	General Government	76599	\$264.54	4/28/2016	
Finnell, Natalie	General Services	62678	\$4,368.52	6/1/2016	
Gamble, John E.	Airport	na	\$2,361.81	7/14/2016	
Herrington-Woodard, Amy	YFD	76822	\$157.67	2/29/2016	
Jenkins, Benjamin	Human Services	74152	\$235.08	3/14/2016	
Kiefert, Christen	Human Services	77248	\$7.92	4/15/2016	
Martin, Brian	Public Works	74525	\$697.09	3/1/2016	
Schultz, Bernard	Public Works	66816	\$2,383.83	3/16/2016	
Smith, Paul David	Mayor office	71363	\$4,863.95	4/29/2016	
Williamson, Jason P	Public Works	76397	\$268.11	3/1/2016	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Bertha B. Graham	Jeaquita McMillan	5/13/2016	\$2,208.36	
William Newbille	Geraldine Newbille	5/2/2016	\$273.60	
Wilbert Newbille	Geraldine Newbille	5/2/2016	\$273.60	
Nola J. Brown	Geraldine Newbille	5/2/2016	\$273.60	
Carroll Milton Bridges	Gary Bridges	10/8/2015	\$321.79	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		251,888.20		FY2016
Cavanaugh Macdonald				IRS determination letter
Cavanaugh Macdonald	439.00		4/30/2016	GPP valuation
Cavanaugh Macdonald	396.00		4/30/2016	Implicit Subsidy
Cavanaugh Macdonald	804.00		6/30/2016	GPP valuation
IRS				GPP determination letter fee
Miller & Martin				Legal services-GPP determination ltr
Chambliss, Bahner, & Stophel, PC				Review of Special tax notice
Chattanooga Times Free Press	38.07		6/10/2016	Meeting ad 5/19/2016
Gavion, LLC	25,000.00		6/30/2016	Investment consulting services
First Tennessee Bank				Administrative expense
City of Chattanooga Human Resources				Administrative expense
COMPANY TOTAL	26,677.07	278,565.27		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		523,428.32		FY2016
Chartwell	7,482.30		6/30/2016	Investment management fees
Herndon	33,332.01		6/30/2016	Investment management fees
Insight	20,379.43		6/30/2016	Investment management fees
Kennedy Capital Management	15,695.00		6/30/2016	Investment management fees
Patten & Patten	11,727.32		6/30/2016	Investment management fees
The London Company	15,123.00		6/30/2016	Investment management fees
Wedge Capital	25,319.21		6/30/2016	Investment management fees
MANAGER TOTAL	129,058.27	523,428.32		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total		\$96,019.27	FY2016
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$75,000.00	8/9/2016	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement

COMPANY TOTAL	75,000.00	171,019.27	
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		10,618,000.00		FY2016
Fiscal Year to Date		20,900,000.00		FY2017
iShares Russell 1000 Growth Fund	400,000		7/15/2016	to pay benefits
iShares Russell 1000 Growth Fund	300,000		7/27/2016	Greenspring capital call
iShares Russell 1000 Growth Fund	1,200,000		8/12/2016	to pay benefits
<i>Patten & Patten</i>	<i>2,000,000</i>		<i>7/28/2016</i>	<i>to core fixed income</i>
<i>Insight</i>	<i>3,000,000</i>		<i>7/28/2016</i>	<i>to core fixed income</i>
<i>Herndon</i>	<i>11,000,000</i>		<i>7/28/2016</i>	<i>to core fixed income</i>
<i>London Company</i>	<i>1,500,000</i>		<i>7/28/2016</i>	<i>to core fixed income</i>
<i>Kennedy Capital</i>	<i>1,500,000</i>		<i>7/28/2016</i>	<i>to core fixed income</i>
MISCELLANEOUS TOTAL	20,900,000.00	20,900,000.00		

REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year to date				
Fiscal Year to date		137,530.86		FY2016
VOYA	11,492.41		2/1/2016	Long Term Disability (50%)
VOYA	11,492.41		3/1/2016	Long Term Disability (50%)
VOYA	11,492.41		4/1/2016	Long Term Disability (50%)
VOYA	11,492.41		5/1/2016	Long Term Disability (50%)
VOYA	11,492.41		6/1/2016	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
TOTAL	57,462.05	137,530.86		

**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		39,414.33		FY2016
Cavanaugh Macdonald	1,127.00		4/30/2016	OPEB valuation
Cavanaugh Macdonald	804.00		6/30/2016	OPEB valuation
Gavion, LLC	5,000.00		6/30/2016	Investment consulting services
First Tennessee	-			Administrative Expense
COMPANY TOTAL	6,931.00	\$46,345.33		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		55,341.51		FY2016
Herndon	13,740.21		6/30/2016	Investment management fees
MANAGER TOTAL	13,740.21	55,341.51		

ACCOUNTS RECEIVABLE


COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total		1,888,087.16		FY 2016 funding allocations
COMPANY TOTAL		1,888,087.16		

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date				
MISCELLANEOUS TOTAL	0.00	0.00		

APPROVED:


Chairman


Secretary