

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

August 17, 2017

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on August 17, 2017 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Stacy Richardson, Carl Levi and Jeffrey Wilson. Others attending the meeting were Valerie Malueg, City Attorney's Office; 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.

Daisy Madison introduced new board member Jeffrey Wilson to the rest of the board members and affiliates who in turn introduced themselves.

Approval of Minutes

Carl Levi made a motion to approve the minutes of the May 25, 2017 meeting. Stacy Richardson seconded the motion. The minutes of the May 25, 2017 meeting were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter. Certain transactions were highlighted for the board. An RFQ for actuarial services has been generated as of 7/25/2017. Both Cheryl and Valerie provided an update to the progress on the IRS determination letter.

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

Valerie commented further on the IRS determination letter. There will be some additional amendments added to the Plan to include provisions that should have been adopted in prior time periods. The dates of adoption were prescribed by the IRS. Their comments request the City to clarify the provisions included in the Plan, but it has little impact on the way the Plan actually operates.

Statement of Investment Objectives review

Cheryl provided copies of the most recent version of the Statement of Investment Objectives document for the annual review by the trustees. The document will be reviewed for changes at the next meeting. A signature page will be provided for collecting trustee signatures upon adoption of the Statement of Investment Objectives. The allocation table will be updated with the portfolio targets approved May 25.

Performance Review First Quarter 2017 – Gavion

Scott Arnwine discussed the performance of the two funds. Reviewing page 2 of the GPP investment performance report, the portfolio of \$283M ends 2Q with a 2.7% return and a 1Y return of 11.5%. These results exceed the composite benchmark. Relative to the actuarial assumptions, the trailing 5 year performance is above the actuarial assumption while the trailing three year falls short. These results do not include the actual June statements and the private equity results are not yet received; thus, returns for 2Q are expected to be higher once that information is received.

The best performing assets were in non-US developed countries and OFI International Growth exceeded the benchmark for the 2Q and YTD. In domestic equity, there were gains particularly in sectors where there was growth and activity. Herndon, who has struggled in the recent past, appears to be creeping back and improving results. Results for Insight in 2Q at 3.5% are below the benchmark of 4.4%; however, the preliminary July results show a reversal in the comparison of actual results to the benchmark. Kennedy Capital Management (with a growth bias) and The London Company (with a value bias) are both small cap managers with very different results for 2Q. Scott stated that Gavion recommends liquidating the London Company and moving those assets to Kennedy. The London Company results have been lagging. London could miss future opportunities for yield due to some of their investment management decisions, particularly concerning banks. This will leave Kennedy Capital with less than 5% of the portfolio and under the target allocation for the asset class. There was some discussion about allocating some of the assets to cash for near future needs. There was also a follow-up discussion of indexing vs active management and the effect on the portfolio results. Scott indicated that the trend in active management results may be reversing and the results are beginning to reflect that change.

For the benefit of the newest board member, Scott did answer questions about the length of time provided for an investor to perform before action is taken to remove them. The philosophy of changing managers is grounded in the manager's objectives relative to their behavior to achieve those objectives. Managers are not able to 'beat the benchmark' every day; instead, they tend to buy and hold a security with a focus to earn yield and beat the benchmark by differentiating themselves. The documented objectives and policies of the manager are the point of focus during a 3-5 year business cycle horizon. The work of Gavion and the board is to minimize risk and optimize yield rather than react to an individual manager's short term results.

Scott also explained the top four lines of the investment results report. Total Fund shows annualized fund performance over time and is measured against a benchmark comprised of the composite benchmarks of the managers. The comparison of the line with its benchmark indicates that managers in aggregate have outperformed the aggregate benchmark. Total Equity shows annualized results for the equity allocation are likewise compared against the all world benchmark for equities. Each manager is measured against a specific benchmark. The actual results compared to the benchmark are mixed at various points in time.

Carl Levi made a motion to liquidate and move the assets of The London Company to Kennedy Capital Management. Katie Reinsmidt seconded the motion. There was no further discussion. The motion carried.

In the Real Estate allocation, TerraCap, a small niche real estate manager, continues to post good results. With just over \$3 M invested, they have returned over \$900k to the Plan, IRR of over 13%.

The OPEB fund is still a small fund at \$54 M in value. The long term goal is that the asset allocation will look similar to the GPP but it will take some time to achieve that goal. The returns for OPEB fund are 2.7% for 2Q and 7.5% for YTD. The asset allocation recommendation added private equity to this fund. Five opportunities are being considered and a recommendation is anticipated for the November meeting. One of the funds being considered is Greenspring. The funds being considered are open through the end of the year.

Daisy took a moment to explain the OPEB Trust and the provision of retiree health insurance benefits to City retirees for the benefit of the new board member. The young fund is making good progress toward funding goals.

Report from Counsel

Valerie brought an issue concerning the potential of the City to rehire a former Fire and Police Pension plan (CFPPF) participant who is a disabled retiree at a young age. These individuals are encouraged to apply for jobs in the City. Would this potential rehire be able to participate in the General Pension Plan? New civilian full-time employees have a mandatory requirement to contribute to the GPP. The situation has not happened yet; however, it very well could happen.

- Do we need to amend the GPP?
- Some questions arose about how the CFPPF board operates, the constitution of their board, etc.
- The CFPPF board and the GPP boards operate independently.
- Also, what do other cities do that have multiple boards.
- Should this be a City policy that provides guidance, rather than a board policy?
- City Council approval would likely be required.

This is just the beginning of the discussion. Valerie will attempt to research this question before the next meeting. She may not have enough information for a recommendation at that time.

The next board meeting is scheduled for November 16, 2017.

There being no other business, *Carl Levi made a motion to adjourn the meeting that was seconded by Katie Reinsmidt. The meeting was adjourned by Daisy Madison.*

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

**Meeting of Trustees
August 17, 2017**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Cantrell, Alfred M	YFD	Rule of 80	no	\$1,790.78	6/1/2017		
Compton, Karen Y	Public Works	Normal	A	\$1,026.02	6/1/2017	\$28,594.08	
Garth, Leroy	Public Works	Normal	A	\$1,218.62	7/1/2017		
Gattis, Joyce	Human Services	Normal	no	\$1,464.92	7/1/2017	\$18,475.73	
Grohn, Lawrence	General Government	Normal	A	\$211.88	6/1/2017		
Hiers, Judy	Airport	Normal	no	\$1,139.70	6/1/2017		
Johnson, Gloria	Police Services	Normal	C	\$811.63	6/1/2017		
Kiesche, Brian	General Services	Rule of 80	A	\$3,318.31	8/1/2017	\$141,976.77	
Martin, Jerry	Public Works	Normal	A	\$492.57	7/1/2017		
McKeel, Joseph R	Public Works	Rule of 80	B	\$1,106.26	8/1/2017	\$47,258.09	
Muse, Kenneth	Public Works	Normal	no	\$725.90	9/1/2017		
Nichols, Johnny	General Services	Rule of 80	C	\$2,048.06	8/1/2017	\$94,615.84	
Oneal, Johnny L	YFD	Normal	no	\$1,683.45	6/1/2017	\$44,855.23	
Simmons, Janice	Human Services	Imm Early	B	\$419.34	7/1/2017		
Templin, Jeffery	Public Works	Rule of 80	no	\$1,711.40	7/1/2017	\$65,681.69	
Walton, Sharon	Human Services	Rule of 80	C	\$1,034.94	8/1/2017		

Count	16	\$20,203.78	\$441,457.43
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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
Bruce Garner	B	6/23/2017

DISABILITY BENEFIT REPORT

NAME	TYPE	Employee Number	Insurance Benefit Amount	Effective Date	Notes
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LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions		\$42,659.50			19	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes	
Allen, Victor	Public Works	77965	\$423.72	5/22/2017		
Blackman, Bruce	Police Services	77493	\$569.55	3/27/2017		
Brazell, Whitney	Human services	76583	\$617.91	5/22/2017		
Brown, Timothy	Public Works	66840	\$1,285.85	3/22/2017		
Cooley, Barbara	Human services	61277	\$7,859.24	3/12/2013	vested	
Flowers, Heather	Police Services	76662	\$919.07	3/16/2017		
Fox, Kevin	Public Works	72255	\$1,970.22	6/9/2017		
Grennell, Zane	RPA	75593	\$1,265.03	3/2/2017		
Harris, John	Human services	76710	\$743.71	3/10/2017		
McClendon, Alphonso	ECD	60726	\$12,740.43	5/18/2017	vested	
Minnear, Larry	Public Works	73668	\$1,515.17	4/27/2017		
Nerney, James	General Services	71727	\$2,959.41	3/31/2017		
Overholser, Victoria	Airport	na	\$232.37	10/28/2016		
Potts, Jesse	Public Works	78576	\$88.10	3/3/2017		
Pride, Carlos	Finance	71932	\$3,176.15	6/19/2017		
Ross, Philip	Airport	na	\$105.64	na	PT to FT did not occur; deductions taken	
Shelton, Pearl	Human Services	66716	\$2,005.10	4/7/2017		
Thomas, Nanci	Finance	78616	\$195.12	6/16/2017		
White, Breeann	Purchasing	71034	\$3,280.74	3/10/2017		
Wright, Greg	Finance	77967	\$706.97	6/30/2017		

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
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PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		305,730.15		FY2017
Fiscal Year to Date		5,313.40		FY2018
Cavanaugh Macdonald				IRS determination letter
Cavanaugh Macdonald	4,290.00		4/30/2017	GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald				GPP GASB 67 & 68
Miller & Martin	5,313.40		7/31/2017	Legal services-GPP determination ltr
Miller & Martin	8,388.00		5/31/2017	Legal services-GPP determination ltr
Chattanooga Times Free Press	38.07		5/31/2017	Meeting ad 5/18/2017
Gavion, LLC	25,000.00		6/30/2017	Investment consulting services
First Tennessee Bank	26,103.20		6/30/2017	Administrative expense
City of Chattanooga Human Resources	0.00			Administrative expense annual
COMPANY TOTAL	69,132.67	69,132.67		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		523,428.32		FY2016
Fiscal Year to date		409,966.25		FY2017
Chartwell	7,878.62		6/30/2017	Investment management fees
Herndon	15,764.69		6/30/2017	Investment management fees
Insight	15,980.32		6/30/2017	Investment management fees
Kennedy Capital Management	14,283.00		6/30/2017	Investment management fees
Patten & Patten	11,697.33		6/30/2017	Investment management fees
The London Company	11,699.00		6/30/2017	Investment management fees
Wedge Capital	30,011.68		6/30/2017	Investment management fees
MANAGER TOTAL	107,314.64	409,966.25		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$325,000.00	FY2017
Prior quarter total		\$0.00	FY2018
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$125,000.00	6/21/2017	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement

COMPANY TOTAL	125,000.00	450,000.00
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		28,150,000.00		FY2017
Fiscal Year to Date		1,468,000.00		FY2018
iShares Russell 1000 Growth Fund	700,000		5/24/2017	to pay benefits
iShares Russell 1000 Growth Fund	200,000		6/27/2017	to pay benefits
iShares Russell 1000 Growth Fund	1,300,000		7/21/2017	to pay benefits
	168,000		7/20/2017	GoldenTree capital call

MISCELLANEOUS TOTAL	2,368,000.00	2,368,000.00
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REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to date		137,530.86		FY2016
Fiscal Year to date		142,453.66		FY2017
VOYA	11,768.52		5/1/2017	Long Term Disability (50%)
VOYA	11,737.22		6/1/2017	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)

TOTAL	23,505.74	142,453.66
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**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		46,345.33		FY2016
Fiscal Year to Date		51,453.31		FY2017
Cavanaugh Macdonald	736.00		5/31/2017	OPEB valuation
Cavanaugh Macdonald				OPEB GASB 74
Gavion, LLC	5,000.00		6/30/2017	Investment consulting services
First Tennessee	4,270.58		6/30/2017	Administrative Expense
COMPANY TOTAL	10,006.58	\$51,453.31		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		55,341.51		FY2016
Fiscal Year to Date		43,461.59		FY2017
Herndon	15,401.29		6/30/2017	Investment management fees
MANAGER TOTAL	15,401.29	43,461.59		

ACCOUNTS RECEIVABLE


COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total				
COMPANY TOTAL		0.00		

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

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

APPROVED:


Chairman


Secretary