

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

February 15, 2018

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 15, 2018 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Stacy Richardson, Carl Levi and Jeffrey Wilson. Others in attendance at the meeting were Teresa Laney, First Tennessee Bank; Scott Arnwine, Gavion, LLC; 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 November 16, 2017 meeting as amended. Jeffrey Wilson seconded the motion. The minutes of the November 16, 2017 meeting were unanimously approved.***

**Administrative Actions**

Cheryl Powell did explain the new practice of keeping a folder for each Trustee and First Tennessee with reference material clipped in the folder and the loose papers pertaining to each meeting inside the folder. Trustees can keep any of the loose papers but the reference material should remain for use in future meetings. Cheryl will bring these to each meeting.

Cheryl Powell presented the Administrative actions for the previous quarter. The payment of \$26k from Delta Venture and the transaction for the capital call for iNetworks was noted. Because Valerie Malueg could not attend today, Cheryl Powell read a statement sent by Valerie addressing the IRS Determination letter and action needed by the Board. The contents of her statement are as follows:

*Board action required: The plan requires that the Board make a recommendation to the City Council to amend the legislation (Ordinance) for the General Pension Plan in order to satisfy the requirements of the IRS for a favorable determination letter. Although the provisions added by Chris Crevasse have not been in the plan, the plan has been operating in compliance of these provisions. The Ordinance would also be amended to include a section pertaining to Qualified Domestic Relations Orders required by Tennessee law beginning in July 2015. According to Chris, all but the QDRO are very technical changes required to receive the IRS determination letter.*

*The Board wanted to act on this in November; however, the City Code requires that any time a change is made to the plan the City must have the actuary determine the actuarial impact to the plan. At the time of the November meeting, the City had not received the actuarial letter. Based on this, Valerie asked the Board to wait until February to make the recommendation.*

*This was placed on the agenda in January and the City Council adopted the revisions to the plan via Ordinance amendment in January prior to this Board making its recommendation to City Council. Valerie recalls Daisy sending e-mails asking for this to be placed on the City Council agenda. At this point, the minutes were not available and Valerie did not recall that we did not yet have the letter. Now, the Board just needs to ratify the action taken by Daisy to place this on the City Council agenda*

*as the Board's recommendation for the changes to be made (even though they now already have been made).*

***Carl Levi made a motion to approve the administrative actions. Jeffrey Wilson seconded the motion. The administrative actions were unanimously approved.***

***Carl Levi made a motion to ratify the actions taken to amend the General Pension Plan to satisfy requirements for the IRS Determination Letter. Jeffrey Wilson seconded the motion. The motion was unanimously approved.***

### **Review of Pension Funding Policy**

The GPP Funding Policy document was provided to each trustee ahead of this meeting for review. The board discussed the current funding level of the plan relative to history and the need to remain diligent in maintenance of the plan in the future. This document requires no action at this time.

The State of TN Treasury Department issued a letter dated December 22, 2017 summarizing the positive findings of their compliance review. Specifically, the contributions in relation to the Actuarially Determined Contribution for the plan are at least 100%.

### **Election of Officers**

The trustees agreed to defer this action to the next meeting. Daisy Madison suggested that perhaps the board needs a nominating committee for this purpose.

### **Investment Performance Review Fourth Quarter 2017 – Gavion**

Scott Arnwine reviewed both the past quarter and the past year starting with the GPP book, page 2. An error on the line item for small cap domestic equities needs to be corrected from the 990% to 9.90%. Scott pointed to the chart on page 7 where the five year trailing annualized return is graphed against the annualized standard deviation to illustrate the risk or volatility in the total GPP portfolio. The indicator sits at a return of 8.5% and a standard deviation of 7.0%. The return is above the actuarial assumption and the standard deviation is within an acceptable range of volatility; thus the objective was achieved with relatively low risk.

The total market value of the GPP portfolio ended 2017 just below the \$300 million mark. However, the market movements in January and February have since reduced the value of the portfolio. The portfolio does not yet have statements for the private equity firms so the final 2017 returns could be higher.

Some of the recent changes in the portfolio have improved results, for example moving in 2017 from a US REIT to a Global REIT. The liquidations made last fall of Herndon and Insight assets were put in iShares funds for the short run, lowering returns but also lowering expenses, until new manager(s) can be procured and the assets reallocated in the portfolio. Of the three active equity managers, two exceeded their benchmarks, Wedge and Kennedy Capital. However, Patten and Patten had a disappointing year relative to the benchmarks yet they had decent actual returns. Certain investments in their portfolio, in particular GE and Selgene, which did not perform well, contributed to the underperformance. Scott recommended that the Board bring Patten and Patten in for a review since their firm composition has changed and the Board needs a better understanding of how the firm fits in the current portfolio.

In summary, Scott recommends that the board agree to

- place Patten and Patten on watch list and have them come in and present,
- conduct a manager search for large cap value manager to replace Herndon
- re-allocate some assets from Wedge to add to index or new manager to recalibrate their share of the portfolio.

Scott suggested a called meeting in March to interview selected managers to add to the GPP portfolio and interview Patten and Patten.

*Carl Levi made a motion to bring Patten and Patten and other selected managers before the board for interview. Jeffery Wilson seconded. The motion carried.*

Scott recommends for OPEB to deploy some of the cash to the following:

- Add \$4M to OFI International Growth fund,
- \$2m to large cap value (ishares Russell 2000) index
- \$1m to large cap growth (ishares Russell 1000 growth) index
- \$2.6 remains in cash.

*Carl Levi made the motion to allocate approximately \$7.6 million cash in the OPEB fund as approximately \$4 million to the OFI International Growth fund, approximately \$2 million to the iShares Russell 2000 index fund and \$1 million to the iShares Russell 1000 Growth fund. Jeffery Wilson seconded the motion. The motion carried.*

#### **Report from Counsel**

There was nothing to report.

#### **Other Business**

The next scheduled board meeting is May 17, 2018. Because of date conflicts for Gavion and Cavanaugh Macdonald, the board agreed to a change in the date. The next board meeting will be re-scheduled for May 24, 2018.

Cheryl Powell will schedule the called meeting for either March or April to include as many board members as possible.

Daisy requested that a discussion of education event or sponsorship be added to the agenda for the next meeting.

There being no other business, the meeting was adjourned by Daisy Madison.

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

**Meeting of Trustees  
February 15, 2018**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Keith, Arthur	General Services	Rule of 80	B	\$2,103.10	12/1/2017	\$28,480.54	
Fowler, Elisha	Public Works	Imm early	no	\$272.69	12/1/2017		
Roberts, Ricky W	General Government	Normal	C	\$2,505.86	12/1/2017	\$116,114.94	
Allison, Roy Lee	Public Works	Normal	no	\$1,843.10	1/1/2018		
Basham, Thomas	ECD	Normal	A	\$1,269.09	2/1/2018		
Blow, Charles	Public Works	Normal	no	\$294.79	1/1/2018		
Bowen, Patrick	Parks and Recreation	Normal	B	\$1,038.90	1/1/2018		
Cousin, Clara	Police services	Rule of 80	no	\$1,946.14	1/1/2018	\$74,828.28	
Douglas, Eric	ECD	Normal	B	\$2,393.37	1/1/2018	\$38,461.61	
Estraca, Ricardo	Human Services	Normal	no	\$1,134.79	1/1/2018		
Geren, Billy	Public Works	Rule of 80	B	\$2,194.59	1/1/2018	\$103,520.83	
Haley, Vickie	Finance	Rule of 80	B	\$3,207.16	1/1/2018		
Rogers, Donna	Public Works	Imm early	no	\$897.05	1/1/2018		
VanWinkle, John	Transportation	Normal	no	\$3,635.57	1/1/2018	\$145,456.60	
Varner, Shirley	Police services	Normal	no	\$1,701.93	1/1/2018	\$67,674.86	
Walker, Robert	Public Works	Normal	C	\$1,571.72	1/1/2018	\$72,401.56	
Worthington, Jacqueline	County 911	Imm early	no	\$1,121.41	1/1/2018		
Wyatt, Barbara	Finance	Normal	no	\$1,747.61	1/1/2018		
Nason, Nancy	General Government	Normal	C	\$3,320.81	1/1/2018	\$91,123.16	
Curtis, Margaret	Library	Normal	A	\$1,897.47	1/1/2018	\$79,760.46	
Davis, Richard L	Transportation	Normal	B	\$2,392.88	1/1/2018		
Carter, Terry D	Public Works	Imm early	no	\$794.71	2/1/2018		
Hart, Kathy	County 911	Rule of 80	E	\$2,681.96	2/1/2018		
Stone, Donna	Human Services	Normal	no	\$2,810.89	2/1/2018	\$122,471.95	
Fuqua, Terry L	Public Works	Normal	no	\$884.38	3/1/2018		

Count	25			\$45,661.97		\$940,294.79	
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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
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**DISABILITY BENEFIT REPORT**

NAME	TYPE	Insurance		Effective Date	Notes
		Employee Number	Benefit Amount		
Olivia Karen Glenn	not job related	60009		11/8/2017	
Randolph Malone	not job related	60259		11/20/2017	
Johnny Thomas	not job related	44050		11/30/2017	

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

Return of contributions		\$30,853.95		20	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Atchley, Richard	police services	79935	\$8.15	9/8/2017	
Barrett, Margaret	General Government	76597	\$939.11	8/10/2017	
Brown, Christian	Mayor office	78552	\$364.30	8/17/2017	
Copeland, Jarvis	Public works	79203	\$134.67	8/21/2017	
Cota, Alyssa	Airport	na	\$437.74	7/27/2017	
Darnell, Anjenet	ECD	62730	\$7,489.98	9/28/2017	vested
Davis, Patrick	Public works	75712	\$1,420.72	10/19/2017	
Eaton, Jonathan	Airport	na	\$574.70	8/10/2017	
Gardenhire, Glenda	Human services	79658	\$97.92	9/19/2017	
Goerlich, Lori	ECD	77924	\$1,286.54	8/25/2017	
Hart, Robert N	Library	68835	\$4,399.99	8/21/2017	vested
Hendy, Daniel	Public works	78696	\$332.51	8/18/2017	
Hoffman, Heather	ECD	74888	\$2,485.89	8/29/2017	
Humphries, Jonathan	Public works	77907	\$632.57	9/7/2017	
Lindsey, Latasha	Human services	61849	\$991.04	8/25/2017	
McGhee, Jimmy	Public works	79776	\$7.45	8/9/2017	
Moss, Enora	YFD	74765	\$2,392.60	11/17/2017	
Rowe, Brittany	ECD	75812	\$1,212.19	9/28/2017	
Washington, Courtney	Public works	78554	\$214.77	7/20/2017	
Wilkins, Justin R	Mayor office	73768	\$5,431.11	8/31/2017	

**Return of deceased retiree basis**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Jerry Shadrick II	Jerry Shadrick	12/10/2017	\$2,652.17	
Eric Harris	Deloria Harris	1/14/2018	\$301.47	
Louannah Flatt	Deloria Harris	1/14/2018	\$301.47	

**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		139,290.26		FY2018
Cavanaugh Macdonald	792.00		11/30/2017	IRS determination letter
Cavanaugh Macdonald				GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald				GPP GASB 67 & 68
Miller & Martin	4,569.60		12/7/2017	Legal services-GPP determination ltr
Miller & Martin				Legal services-GPP determination ltr
Chattanooga Times Free Press	38.07		11/30/2017	Meeting ad 8/10/2017
Chattanooga Times Free Press				Meeting ad 10/25/2017
Gavion, LLC	25,000.00		12/31/2017	Investment consulting services
First Tennessee Bank	31,721.87		12/31/2017	Administrative expense
City of Chattanooga Human Resources	0.00			Administrative expense annual
<b>COMPANY TOTAL</b>	<b>62,121.54</b>	<b>62,121.54</b>		

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

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		409,966.25		FY2017
Fiscal Year to date		206,803.97		FY2018
Chartwell	7,983.08		12/31/2017	Investment management fees
Kennedy Capital Management	31,973.00		12/31/2017	Investment management fees
Patten & Patten	12,385.22		12/31/2017	Investment management fees
Wedge Capital	33,534.56		12/31/2017	Investment management fees
<b>MANAGER TOTAL</b>	<b>85,875.86</b>	<b>206,803.97</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$325,000.00	FY2017
Prior quarter total		\$175,000.00	FY2018
Delta Venture Partners II, LP	26,367.30	11/29/2017	distribution
DTC Diversified Partners III			distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
<b>COMPANY TOTAL</b>	<b>26,367.30</b>	<b>201,367.30</b>	

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		28,150,000.00		FY2017
Fiscal Year to Date		6,868,000.00		FY2018

<b>MISCELLANEOUS TOTAL</b>	<b>0.00</b>	<b>0.00</b>
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**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to date		142,453.66		FY2017
Fiscal Year to date		72,452.68		FY2018
VOYA	12,184.67		11/30/2017	Long Term Disability (50%)
VOYA	11,925.28		12/31/2017	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
<b>TOTAL</b>	<b>24,109.95</b>	<b>72,452.68</b>		

**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		51,453.31		FY2017
Fiscal Year to Date		26,965.18		FY2018
Cavanaugh Macdonald				OPEB valuation
Cavanaugh Macdonald				OPEB GASB 74
Gavion, LLC	5,000.00		12/31/2017	Investment consulting services
First Tennessee	4,948.25		12/31/2017	Administrative Expense
<b>COMPANY TOTAL</b>	<b>9,948.25</b>	<b>\$26,965.18</b>		

*Investment Managers -- Fees Paid*

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		43,461.59		FY2017
Fiscal Year to Date		21,518.31		FY2018
<b>MANAGER TOTAL</b>	<b>-</b>	<b>21,518.31</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total				
<b>COMPANY TOTAL</b>		<b>0.00</b>		


**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date				
iNetworks capital call	1,342,387.20		12/27/2017	initial capital call
<b>MISCELLANEOUS TOTAL</b>	<b>1,342,387.20</b>	<b>1,342,387.20</b>		



APPROVED:

  
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Chairman

  
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Secretary