

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

June 13, 2018

This called meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on June 13, 2018 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Aon Miller, Stacy Richardson and Jeffrey Wilson. Others in attendance at the meeting were Ed Koebel and Jennifer Johnson, Cavanaugh Macdonald Consulting, LLC by phone; Marcia McMurray, McMurray Law Office , PLLC with guests Deb McGee, Jim Gray, and Janet Coonce; Teresa Laney , First Tennessee Bank; Valerie Malueg, Office of City Attorney; 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

Katie Reinsmidt made the motion to approve the minutes from February 15, 2018, April 13, 2018 and May 24, 2018. Aon Miller seconded the motion. The motion carried.

Report from Counsel

The agenda was modified to allow this report to be made first due to the involvement of visitors. Marcia McMurray, the attorney in Cleveland, TN for the family of Robert McGee, attended this meeting to present a remedy for the beneficiary designation of Mr. McGee, a retiree who died April 15, 2018. Ms. McMurray provided a handout and explanation of the proposed solution to this situation.

As background information, Robert McGee chose a Life with Ten Year Certain payment option at the time of his retirement. He had named two nephews and a niece as beneficiaries in effect at the time of his retirement. After retiring he married and wished to name his wife as the beneficiary and completed a new beneficiary form August 13, 2015. He did retain a copy of the document he mailed to the HR office as well as other items associated with the mailing. The HR office did not receive this beneficiary designation form.

Because the HR office does not have the beneficiary designation, Valerie Malueg has been working with Ms. McMurray to create documents for the beneficiaries of record to release their claim. This would allow the wife to be the beneficiary of the remaining payments of the Ten Year Certain portion of his pension. There would be no difference in the amount of payment regardless of who is paid.

Stacy Richardson made the motion to implement the remedy proposed by Marcia McMurray with signed documents by the beneficiaries of record to release their claim and accept the document signed by Robert McGee prior to his death as the current beneficiary designation. Katie Reinsmidt seconded the motion. The motion carried.

Ms. McMurray provided the signed documents for release of claim to Cheryl Powell for filing appropriately and then commencing benefits to Ms. McGee.

Administrative Actions

Cheryl Powell presented the summary of the administrative actions over the past quarter. The actions recorded are through May 24. Transactions since that time have been few and will be on the next administrative actions report. The transactions do include the allocation to Diamond Hill as an investment manager in the GPP and OPEB.

The only unusual item pertained to some work requested of Cavanaugh Macdonald that was not requested by the Board. Ed explained that the work included possible changes to the Plan structure for new hires as requested by a City Council member. The General Pension Plan paid the bill, but since this did not arise from Board business, the Plan should be reimbursed for the cost. Daisy Madison said this cost could possibly be covered by the General Fund.

There was some discussion about how this type of transaction should be conducted in the future. Since the requested information required an actuarial calculation and review, Cavanaugh Macdonald was asked to perform those calculations. This action to secure professional services did not require notification of the Board. Daisy Madison said that in this case the invoice should have been designated to come directly to her and not to the Board.

Jeffrey Wilson made the motion to approve the administrative actions. Stacy Richardson seconded the motion. The motion carried.

The General Pension Plan did receive a favorable determination letter from the IRS issued on 4/3/2018.

Cheryl Powell presented the details of the proposed General Pension Plan budget for FY2019. The budget reflects the contracted cost for Cavanaugh Macdonald. There will be a GPP valuation but not an OPEB valuation in this budget year and there is funding per contract for the GASB reporting. There will be an experience study to update the actuarial assumptions. The costs for First Tennessee reflect increases in the number of transactions similar to that experienced this past year. Expenses for Gavion will remain the same per their contract. Legal fees are not expected to be as large since the determination letter is complete and will be left at \$10k for this fiscal year. Long term disability premium rates are lower this year due to a change in the carrier. The cost for meeting ads was left unchanged from FY2018. The Human Resources reimbursement and the Records Management line items will be left at the same level. Beverly Moultrie, Madeline Green and Cheryl Powell will be meeting to discuss these items and determine if the level is appropriate and any change to expenditures that need to be made. A future proposal may be made to amend these items. The trustee education line item will be left at the \$10k level. Cheryl Powell did have a brief discussion with Ed about ideas for an education event and there is an agenda item for discussion today.

Katie made the motion to approve the FY2019 budget. Aon Miller seconded the motion. The budget was approved.

General Pension Plan Actuarial Valuation Results – Ed Koebel and Jennifer Johnson, Cavanaugh Macdonald

Ed Koebel joined the meeting by telephone to provide a summary report on the valuation results since members present today were not present at the last meeting. Cheryl Powell provided copies of the handout in the member packets to follow along as Ed explained the valuation results for GPP. Ed focused his comments on slide two which summarizes the key findings. These include

- the actuarial return increased to 4.61% with the 10 year smoothing compared to the market return of 13.14% (this is the last year to recognize the loss of \$9 million in 2008),
- the funding percentage declined from 80.3% to 78.8% based on the 7.00% discount rate, and
- the annual required contribution rate based on the 7.00% assumed interest rate is increasing to 20.50% of payroll, up from 19.58% in the prior valuation, or \$10.7 million.

Ed expects future investment returns to increase and the funded status to improve with future valuations. With the closed amortization period, the projection of the total employer contribution shows a decreasing trend if there is no major change in investment income.

OPEB Trust Actuarial Valuation Results – Ed Koebel, Cavanaugh Macdonald

Ed Koebel also presented a summary report of the results of the valuation for the OPEB Fund. This valuation is performed every two years. This fund also includes sworn employees in the Fire and Police departments. The fund was created in 2006. Over the past two years the fund increased from \$38.2 million to \$60.6 million. Additionally, the actuarial assumed rate of return has been reduced from 7.5% to 7.0%. The last slide shows that the funding percentage for the OPEB in the current valuation at 7.0% is 13.58% or \$13.6 million.

Aon Miller made the motion to accept the funding percentages based on the 7.0% discount rate at 20.5% for GPP and 13.58% for OPEB. Katie Reinsmidt seconded the motion. The motion carried.

Discuss Options for an Education Event

Ed Koebel provided some ideas about providing education to the trustees. Cavanaugh Macdonald does provide educational sessions to a number of clients. They are able to provide information on a wide variety of topics from 'Actuarial 101' to 'funding policy' to 'Assumptions and Experience studies'. They could tailor the presentation for 45 minutes to cover topics of interest to the Board.

Is there a mandatory education requirement? The General Pension Board does not have required or mandatory education, but it is important and there has not been such a session in a number of years.

Daisy Madison expressed interest in scheduling an event since this topic has come up often with no resulting sessions. The content should cover topics from the actuaries, consultants, investment managers, and in particular a session on fiduciary responsibility with respect to state law, the GPP/OPEB plan, recommendations, best practices, etc. Alternatively or additionally, the board can attend other appropriate professional training offerings. Individual members can attend and bring back education information to the Board.

Valerie is also applying for membership in a professional organization to provide current information regarding pension issues. The Board approved this action but it is not yet completed.

Cheryl Powell will work with the Board to develop program ideas.

Election of Officers

There is no nomination committee. Cheryl Powell provided the list of the current officers. Daisy Madison is Chair, Aon Miller is Vice Chair and Katie Reinsmidt is Secretary. No one volunteered to take on an office other than those currently in place. The current officers did not express opposition to continuing to serve.

Stacy Richardson made the motion to keep the current slate of officers. Jeffrey Wilson seconded the motion. The motion carried.

There being no other business, *Jeffrey Wilson made a motion to adjourn seconded by Katie Reinsmidt.* The meeting was adjourned by Daisy Madison.

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

**Meeting of Trustees
June 13, 2018**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Bennett, Jackson	Transportation	Normal	D	\$3,035.43	4/1/2018		
Boynton, James D	Public Works	Imm early	A	\$1,451.21	5/1/2018		vested
Brandenburg, Susana	Human Services	Normal	no	\$767.41	6/1/2018		
Coleman, James	General Services	Normal	no	\$1,339.87	3/1/2018		
Crocker, James R	ECD	Normal	B	\$1,163.70	5/1/2018		
Culver, Gary	ECD	Normal	no	\$1,495.18	6/1/2018		
Engle, Linda	County 911	Imm early	E	\$1,111.18	3/1/2018		
Gibbs, Melanie D	County 911	Imm early	A	\$800.35	5/1/2018		vested
Graham, Rodney C	Public Works	Imm early	no	\$349.80	5/1/2018		LTD
Hicks, Samuel R	Public Works	Normal	B	\$259.47	5/1/2018		
Lowery, Richard G	Public Works	Normal	no	\$1,394.18	5/1/2018		
Malone, Randolph	Public Works	Imm early	B	\$878.37	6/1/2018		vested LTD
McClurkin, Tena	Human Services	Normal	no	\$336.97	3/1/2018		vested
Rowe, Cynthia	County 911	Imm early	no	\$1,325.05	5/1/2018		
Ware, Anita T	Human Resources	Normal	A	\$740.42	5/1/2018		vested LTD

Count	15	\$16,448.59	\$0.00
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DEATH BENEFITS - DECEASED ACTIVE OR VESTED EMPLOYEES

Name	Employee	Date of death	Type	Monthly Amount	Effective Date	Notes
Boldin, Andrew Brett	Jackie Quarles	6/23/2017	Ten year certain	615.23	5/1/2018	
White, Brandi	Tony Spencer	4/30/2018	Ten year certain	1362.07	5/1/2018	

BENEFIT REVISIONS/CONVERSIONS - PENDING BOARD REVIEW/APPROVAL

NAME	TYPE	Option	Previous amount approved	Revised amount	Effective date
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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		232,897.22		FY2018
* Cavanaugh Macdonald	9,823.00		3/31/2018	Plan Options request
Cavanaugh Macdonald	18,000.00		3/31/2018	GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald				GPP GASB 67 & 68
Miller & Martin	1,384.10		3/31/2018	Jan Legal services-GPP determination ltr
Miller & Martin	590.20		3/31/2018	Feb Legal services-GPP determination ltr
Miller & Martin	902.89		6/30/2018	Apr Legal services-GPP determination ltr
Chattanooga Times Free Press	38.07		3/31/2018	Meeting ad 2/8/2018
Chattanooga Times Free Press	98.13		6/30/2018	Meeting ad 4/6/2018
Gavion, LLC	25,000.00		3/31/2018	Investment consulting services
First Tennessee Bank	37,770.57		3/31/2018	Administrative expense
City of Chattanooga Human Resources	0.00			Administrative expense annual
COMPANY TOTAL	93,606.96	232,897.22		

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		296,119.25		FY2018
Chartwell	7,970.58		3/31/2018	Investment management fees
Kennedy Capital Management	35,905.00		3/31/2018	Investment management fees
Patten & Patten	12,377.17		3/31/2018	Investment management fees
Wedge Capital	33,062.53		3/31/2018	Investment management fees

MANAGER TOTAL	89,315.28	296,119.25
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ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$325,000.00	FY2017
Prior quarter total		\$201,367.30	FY2018
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$112,500.00	3/31/2018	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
COMPANY TOTAL	112,500.00	313,867.30	

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
iShares Russell 1000 Value	-9,241,393		4/24/2018	board action 4/13/2018
Diamond Hill	9,241,393		4/24/2018	board action 4/13/2018
MISCELLANEOUS TOTAL	0.00	0.00		

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		108,326.35		FY2018
VOYA	12,026.99		1/31/2018	Long Term Disability (50%)
VOYA	11,925.28		2/28/2018	Long Term Disability (50%)
VOYA	11,921.40		3/31/2018	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
TOTAL	35,873.67	108,326.35		

**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		43,841.96		FY2018
Cavanaugh Macdonald	7,278.00		3/31/2018	OPEB valuation
Cavanaugh Macdonald				OPEB GASB 74
Gavion, LLC	5,000.00		3/31/2018	Investment consulting services
First Tennessee	4,598.78		3/31/2018	Administrative Expense
COMPANY TOTAL	16,876.78	\$43,841.96		

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
MANAGER TOTAL	-	21,518.31		

ACCOUNTS RECEIVABLE

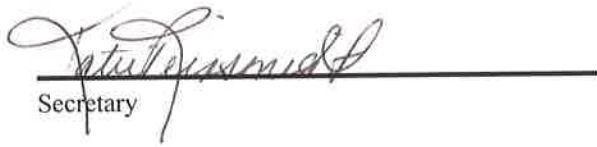
COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total				
COMPANY TOTAL		0.00		

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date		8,342,353.00		FY2018
OFIGTC Int'l Growth fund	4,000,000		2/28/2018	board action 2/15/2018 from cash
iShares Russell 1000 Value	1,999,865		2/21/2018	board action 2/15/2018 from cash
iShares Russell 1000 Growth	1,000,101		2/21/2018	board action 2/15/2018 from cash
iShares Russell 1000 Value	-10,990,946		4/24/2018	board action 4/13/2018
Diamond Hill	10,990,946		4/24/2018	board action 4/13/2018
MISCELLANEOUS TOTAL	6,999,966.00	15,342,319.00		

APPROVED:


Chairman


Secretary