

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

May 18, 2023

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on May 18, 2023 at 8:30 a.m. in the J. B. Collins Conference Room, City Council Building. Trustees present were Daisy Madison, Carl Levi, Jeffrey Wilson, Katie Reinsmidt and Ryan Ewalt. Others in attendance at the meeting were Scott Arnwine, CBIZ IAS, Inc.; Jed Cooper, First Horizon Bank; Ed Koebel, Jennifer Johnson and Darby Caraway, Cavanaugh Macdonald Consulting, LLC; Valerie Malueg, Office of the City Attorney; Amanda Lawrence, Molly Taylor, Daniel Harrigan, and Cheryl Powell, City Human Resources Department; Alan Syler (driver for Carl Levi).

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.

Carl Levi brought to the board's attention that Katie Reinsmidt was recently promoted to the Chief Operating Officer at CBL. Valerie said this can be a motion for a recognition resolution for recognition of her promotion and service on this board. Valerie would need some Katie's board history to create the resolution and Cheryl will provide that.

Carl Levi made the motion for creating a resolution to recognize the recent promotion to COO and service to the board of Katie Reinsmidt. Ryan Ewalt seconded the motion. The motion carried.

Approval of Minutes

Carl Levi made a motion to approve the minutes from the February 16, 2023 meeting. Ryan Ewalt seconded the motion. The minutes were approved.

Administrative Actions

Cheryl Powell presented the Administrative Actions for the current period. The retirement transactions are consistent with typical past activity. Four of the retirees were eligible for a DROP payment and exercised their option. Four of the 14 retirements were vested ex-employees commencing their pension benefit. DROP payments. The employee termination activity was about average but the amount of refunded contributions tended to be low suggesting early duration terminations. For the General Pension fund, Golden Tree Distressed Fund III distributed a total of \$428,000 during the first quarter with \$218,000 as recallable distributions. The final distribution from FCA Venture Partners II of \$33,465 is shown on the report.

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

Cheryl presented the budget for fiscal year 2024. It contains the normal operating expenses with an addition of an experience study from actuarial services. The experience study will be conducted with results available for the August meeting. Additionally, in even years, there is the added expense of the OPEB valuation. The values for all the actuarial services are the contractual amounts for the next year. The estimated costs for First Horizon services include a slight increase over the actual costs for fiscal 2023 for GPP and OPEB. These costs represent a decrease from the FY2023 budgeted costs. Disability premium costs are expected to be higher for FY2024 due to salary increases that produce higher individual benefits costs. The cost of City of Chattanooga services will increase slightly. All other budget items remain flat for the next year. Total budget is \$529,399.

Jeffrey Wilson made a motion to approve the board budget for FY24. Carl Levi seconded the motion. The board budget was approved.

Actuarial Valuation Presentation for General Pension Plan – Ed Koebel, Jennifer Johnson and Darby Caraway, Cavanaugh Macdonald

Darby Caraway began the presentation with the following observations: active member count increased for the first time in a few years; active payroll increased significantly for 2023; the active (contributing) to retiree (receiving payment) ratio increased from 1.03 to 1.06; total number of retired participants increased less than anticipated; annual benefit payments have increased from \$24.7 million to \$25.7 million; and the number of deferred vested participants had a net decrease from 159 to 154 participants. Total plan liabilities at 1/1/2023 are \$494.3 million with \$273.7 million, or 55.4%, attributable to retirees. The investment return for the calendar year was -15.21% on a market value basis as of 12/31/2022 and the fund declined by a net \$67 million over the year. The return on the smoothed actuarial value of assets (5 year smoothing) for the fiscal year was 6.04% compared to the assumed rate of return of 6.75%. The fund has sufficient assets to cover the liabilities for the current retirees. However, the plan cash flows, measured as contributions coming in versus benefit payments and expenses going out, were negative 2.0% of assets, an acceptable level given the overall investment return. Investment earnings provide the offset to the negative plan cash flows.

The Unfunded Actuarial Accrued Liability (UAAL) increased from \$60.4 million to \$69.9 million and the Funded Ratio decreased from 85.2% to 83.8%. (For context, the comparable average funded ratio among 160 independently reviewed public sector plans across the nation is 73.0%). The funded ratio on a market value basis is 75.6%.

The funded ratio increase is a result of continued adherence to the funding policy, the conservative lower assumptions that have been placed and the good fortune of market gains over the last three years. The GPP continues to make progress toward the goal of being fully funded.

Jennifer Johnson discussed the City's funding for future benefits. The Actuarially Determined Employer Contribution (ADEC) rate remained steady at 20.94% for the next fiscal year FY24. Last year the board elected to maintain the 20.94% rate from the 2022 fiscal year for the 2023 fiscal year and adjusted the length of the amortization period to 25 years and paid down some of the debt. The 20.94% represents the 10.76% employer normal cost rate and the 10.18% unfunded accrued liability rate. This translates to an expected \$15.5 million in contributions to the fund.

The stability of the funded ratio is a result of continued adherence to the funding policy, the conservative lower assumptions that have been placed and the good fortune of market gains over the last three years. The GPP continues to make progress toward the goal of being fully funded. The experience gains attributed to the gains due to retirements, withdrawals, and deaths in 2022 were no match for the losses due to the salary increases (increases in future benefits) and investment returns in 2022 leading to an overall actuarial experience loss. This loss will be amortized beginning fiscal 2024 for the closed 25 year amortization period. Of the \$494.3 million total plan liability, the current fund assets and future anticipated contributions combined provide \$424.4 million of funding leaving a total UAAL of \$69.9 million. This UAAL is amortized to be paid as a level dollar amount into the GPP over a blended closed amortization year period.

Ed then presented the results of the 10-year projection assuming a 6.75% discount rate and the change in the active and retiree population based on the assumptions in the plan. Because of the negative investment year and the five-year smoothing, future contribution rates are projected to rise over 4 years and stabilize over the 3 years leading to 2030. The funding ratio will continue to hover around 80% over the next 10 years.

Carl Levi made the motion to accept the report and the Annual Required Contribution rate of 20.94% of payroll for FY2024. Katie Reinsmidt seconded the motion. The motion carried.

Proposed Amendment to the General Pension Plan for part time employees – Valerie

Demographic data requested by the board at the last meeting and the proposed language for the amendment is provided in the board material. The proposed change for part time employee eligibility to be 1,500 hours per year, raised from 1,000. The actuarial analysis found that the impact of the proposed amendment is a *de minimis* amount. Few part time employees are in the plan and fewer will be qualifying with the proposed amendment. The liabilities for part time employees is small. This amendment will tend to reduce those liabilities over time.

Valerie provided information about the process for making a recommendation to City Council. The actuarial report has been completed. The next step is for the board to decide whether to make the recommendation to amend the plan. If the board decides to move forward, the recommendation is made to City Council.

Cheryl provided some explanation of the demographics of the part time employees and the kind of jobs that these employees have. Of the 2,618 employees that are active on 5/1/2023, 226 are part time regular employees. A large number of these are in jobs that work fewer than 20 hours per week. Currently there are only 5 part time employees participating in the GPP. The number of part time employees that would be affected by this change is small. Most of the jobs in the data will not qualify to participate in the pension with the 1,000 requirement and many of these jobs are not permanent but seasonal in nature.

There was discussion about the change among board members in light of the demographic data and the logic behind the change to the plan.

Valerie also reminded the board that there is a second provision change on the proposed amendments that pertains to the Mayor's designee acting as *ex officio* and adding that the designee 'shall have the right to vote on all matters.' This statement appears in other board documents but not in the plan provision itself. This change will make all documents consistent.

Carl Levi made a motion for the proposed amendments to be presented to City Council as a recommendation from the board to change the two plan provisions for the definition of part time employees and the administration of the plan. Katie Reinsmidt seconded the motion. The motion passed.

Investment Performance Review 1Q2023 – CBIZ Investment Advisory Services

Scott Arnwine provided a brief overview of plan results for the quarter. He reminded the board that 2022 was one of the worst years for investment returns for the US stocks and bonds. The GPP and OPEB have diversified portfolios, so the funds did not experience the full impact of the market. Inflation and volatility in the markets is still with us. The prediction for a recession is for the second half of 2023.

Yet, the GPP ended the quarter up 3.1% at \$334.2 million. For the first quarter, growth stocks outperformed value in a dramatic shift. One evidence of volatility is in the 2 year US Treasury which modulated below 3% to above 5% during the quarter. The equity managers were up by 4.9% overall. All asset classes were positive except real estate which was down 2.4% where the market continues to be a challenge. Fixed income was up 4.0% in the quarter.

For the OPEB Trust, the fund level at the end of 1Q is up 3.9% to \$118.4 million. The results for OPEB is often similar to that of the GPP since OPEB has many of the same investment managers; however OPEB is more heavily weighted in stocks and with a longer horizon it is invested more aggressively.

Looking ahead, the credit crunch will continue and real estate will continue to be a challenge.

There are some recommendations for allocations in the GPP and OPEB funds.

- For GPP, it is recommended to move \$3 million from Vanguard Short Term Treasury Index Fund to cash to fund 2023 benefit payments and anticipated capital calls.

- For the OPEB fund, it is recommended to split the large cap capital by selling \$15 million from Diamond Hill and adding Kerusso Capital at \$15 million. This is a value manager that also has some international and small cap exposure.
- For OPEB additionally move \$4 million from cash to the Vanguard FTSE All-World ex-US Index Fund (VFWSX) and move \$3 million from the Vanguard Short Term Treasury Index Fund to the Johnson Institutional Core Bond Fund (JIBFX).

Carl Levi made the motion to sell \$15 million of Diamond Hill and allocate 15 million to Kerusso, to move \$4 million from cash to the Vanguard FTSE All-World ex-US Index Fund (VFWSX), and move \$3 million from the Vanguard Short Term Treasury Index Fund to the Johnson Institutional Core Bond Fund (JIBFX). Jeffrey Wilson seconded the motion. The motion carried.

Jeffrey Wilson made the motion to move \$3 million from Vanguard Short Term Treasury Index Fund to cash in the General Pension Plan. Carl Levi seconded the motion. The motion carried.

Election of Officers

The current slate of officers is Daisy Madison, Chair; Aon Miller, Vice Chair; Katie Reinsmidt, Secretary. Daisy asked for any nominations from the floor for each of the officer positions. Katie Reinsmidt nominated Daisy Madison for chair. No other nominations were made. Daisy asked for a vote and the board unanimously elected Daisy Madison as Chair. Carl Levi nominated Katie Reinsmidt for Vice Chair. No other nominations were made. Daisy asked for a vote and the board unanimously elected Katie Reinsmidt as Vice Chair. Carl Levi nominated Aon Miller for Secretary. No other nominations were made. Daisy asked for a vote and the board unanimously elected Aon Miller as Secretary.

Report from First Horizon – Jed Cooper

Jed Cooper reported that the merger between First Horizon Bank and Toronto-Dominion Bank has been abandoned because TD could not obtain regulatory approval. It is now business as usual for First Horizon. There may be some future improvements in technology as First Horizon moves forward.

Report from Counsel

There was no report from Counsel.

Amanda Lawrence, Chief Human Resources Officer, asked the board to consider provisions for Fire and Police personnel, who can no longer work in a safety position due to an on the job injury or disability through the IOD process and now work in a civilian job, allowing them to participate in the GPP.

City Code requires employees who meet eligibility requirements to participate in a pension plan. It is necessary to

- determine the history of any interaction between the GPP and Fire and Police plans
- understand the provisions for crediting of service and payment determination in the Fire and Police pension plan for on the job disabilities,
- obtain a list of the currently affected individuals and the demographics of those individuals, and to
- know if the injured participant is receiving an LTD/pension payment currently.

A plan provision amendment requires an actuarial analysis by Cavanaugh Macdonald to determine the financial impact to the plan of adding this type of participant. Ed Koebel will need to review this potential and provide a summary of practices in situations similar to this one.

From this the board will need to discuss and determine the next steps.

There was no other business to discuss.

Daisy Madison adjourned the meeting.

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

**Meeting of Trustees
May 18, 2023**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Marsh, Michael T	Airport	normal	E	\$2,404.68	3/1/2023	\$105,865.55	
Dove, Marsha Bearden	General Services	Imm early	no	\$584.95	4/1/2023		vested
King, Carol A	Public Works	normal	no	\$1,587.38	4/1/2023		
Lovingood, Clifton	YFD	Imm early	no	\$1,198.71	4/1/2023		vested
Poole, William B	Airport	normal	B	\$927.48	4/1/2023		
Woodley, Johnny	General Services	Rule of 80	C	\$1,141.90	4/1/2023	\$33,062.67	
Bickford, H Allen	Parks and Outdoors	normal	A	\$842.51	5/1/2023		
Elwood, Kenneth	ECD	Imm early	D	\$412.00	5/1/2023		vested
Hunter, Joseph	Mayor office	normal	B	\$418.25	5/1/2023		
Mitchell, Patricia Moore	Finance - Court	Imm early	no	\$453.63	5/1/2023		vested
Roberts, Richard R	Public Works	Rule of 80	no	\$2,868.90	5/1/2023		
Strickland, Alonzo	Public Works	Rule of 80	C	\$1,988.41	5/1/2023	\$85,244.98	
Jones, Ricardo	Community Developme	normal	no	\$1,494.46	6/1/2023	\$61,246.51	
Hicks, Charlotte	Public Works	normal	B	\$2,124.28	6/1/2023		

Count	14	\$18,447.54	\$285,419.71
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DEATH BENEFITS - DECEASED ACTIVE OR VESTED EMPLOYEES

Name	Employee	Type	Option	Date of Death	Amount or Monthly Amount	Effective Date	Notes
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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	Employee Number	Insurance Benefit Amount	Effective Date	Notes
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LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions **33** **\$48,475.48**

NAME	Department	Employee Number	Termination Date	Refund Amount	Notes
Hines, Earl	Public Works	81388	12/8/2022	\$3,054.62	
Duckett, Timothy D	Public Works	100968	12/9/2022	\$186.33	
Shoemaker, Albert	Public Works	100446	12/9/2022	\$564.96	
Davis, Antione	Public Works	100887	12/9/2022	\$146.08	
Brock, Oscar H	Mayor office	87913	12/12/2022	\$2,710.21	
Clinton, Evan W	Public Works	84403	12/12/2022	\$2,042.06	
Wynn, Markus H	Public Works	81116	12/21/2022	\$3,664.41	
Richmond, Christopher A	General Government	83338	12/22/2022	\$6,633.32	
McAllister, Gabrielle T	Public Works	88058	12/29/2022	\$1,004.89	
Bibbs, Jerrod	Public Works	84822	1/17/2023	\$1,947.59	
Harriss, Dorinda	Mayor office	101209	1/24/2023	\$340.61	
Tovar, Florencia R	Early Learning	88275	1/3/2023	\$1,221.84	
Leanheart, Jeremy S	Public Works	101153	1/5/2023	\$191.90	
Holmes, Squoia M	Human Resources	100958	1/6/2023	\$405.46	
Powell, Kelley D	Community Developm	101435	1/9/2023	\$71.53	
Ngo, Tabitha	Early Learning	101473	1/9/2023	\$67.39	
Scott, Charleston D	Public Works	88475	1/12/2023	\$832.59	
Dishman, Crystal D	Human Resources	72704	1/13/2023	\$433.09	
Bibbs, Jerrod	Public Works	84822	1/17/2023	\$1,947.59	
Lamonica, Carmen	General Government	101231	1/18/2023	\$296.86	
Walton, Alexis	General Government	88560	1/19/2023	\$1,130.87	
Harriss, Dorinda	Mayor office	101209	1/24/2023	\$340.61	
Morse, Dale A	Public Works	81810	2/4/2023	\$1,382.58	
Brown, Kevin T	Police Services	82839	2/24/2023	\$6,144.16	
Ware, Fred	Public Works	81407	3/21/2023	\$3,692.14	
Worthy, Tyler A	Public Works	101423	1/30/2023	\$156.51	
Younce, Ernest L	Police Services	81016	2/3/2023	\$1,050.09	
Gentner, Lauren N	Mayor office	100009	2/6/2023	\$778.08	
Wallace, Colton	Public Works	100896	2/7/2023	\$445.94	
Chambers, Cametre D	Public Works	88296	2/14/2023	\$140.74	
Navarro, Esai	ECE	79321	2/15/2023	\$917.57	
Gaddy, Jason T	Human Resources	83461	2/16/2023	\$2,631.21	
Leduc, Alisa L	Police Services	87306	2/16/2023	\$1,901.65	
Sims, Wardell M	Parks and Outdoors	87216	2/23/2023	\$1,010.50	
Brown, Kevin T	Police Services	82839	2/24/2023	\$6,144.16	
Hines, Sharon	ECD	73868	9/10/2021	\$1,706.97	LTD ended 7/31/2022
Liner, Anthony	Airport	na	7/21/2022	\$415.50	

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	Qtr Ending	PURPOSE
Current quarter	69,609.21	3/31/2023	
Fiscal Year to date	239,647.27		FY2023
<i>Budget</i>	375,410.00		FY2023
Same quarter last year	68,022.19	3/31/2022	
Prior Fiscal Year Actual	306,182.31		FY2022
Cavanaugh Macdonald	9,907.00	3/31/2023	GPP valuation
Cavanaugh Macdonald	-	3/31/2023	GPP GASB 67 & 68
Cavanaugh Macdonald			Experience Study
Cavanaugh Macdonald	2,210.50	3/31/2023	Consulting service
Records Management	-	3/31/2023	Minutes, supplies
Chattanooga Times Free Press	40.14	3/31/2023	Meeting ad
CBIZ IAS	25,000.00	3/31/2023	Investment consulting services
First Horizon Bank	32,451.57	3/31/2023	Administrative expense
City of Chattanooga services	-	3/31/2023	Administrative expense annual
COMPANY TOTAL	69,609.21		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	105,131.79	3/31/2023	
Fiscal Year to date	287,988.48		FY2023
Same quarter last year	94,791.04	3/31/2022	
Prior Fiscal Year	374,739.60		FY2022
Kennedy Capital Mgmt (prorated)	36,429.00	3/31/2023	Investment management fees
Patten & Patten	18,667.82	3/31/2023	Investment management fees
Kerusso Capital Management	12,094.18	3/31/2023	Investment management fees
Wedge Capital	37,940.79	3/31/2023	Investment management fees
MANAGER TOTAL	105,131.79		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	FYTD	EFF DATE	REASON
Fiscal Year to date		\$319,047.00	FY2021	
Fiscal Year to date		2,946,264.40	FY2022	
Fiscal Year to date		1,110,591.35	FY2023	
	Qtr Ending	3/31/2023		
DTC Diversified Partners III	\$0.00			distribution
TerraCap Partners III	\$0.00			distribution
TerraCap V	\$0.00			distribution
GoldenTree Distressed Fund 2014	\$0.00			distribution
GoldenTree Distressed Fund III	\$428,000.00			distribution (\$218,000 recallable)
GoldenTree Distressed Debt IV	\$0.00			distribution (recallable)
Medley Opportunity Fund III	\$0.00			distribution
Greenspring Global Partners IV	\$0.00			distribution
Greenspring Opportunity Fund III	\$0.00			distribution
FCA Venture Partners III	\$33,465.00			distribution - Final
COMPANY TOTAL	461,465.00			

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to date		(180,000.00)	FY2023	capital call
Fiscal Year to date		0.00	FY2023	all other transactions

GoldenTree Distressed Debt IV (180,000) 3/31/2023 capital call

MISCELLANEOUS TOTAL (180,000.00) (180,000.00)

REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Prior Fiscal Year		82,173.97		FY2022
<i>Budget</i>		135,000.00		FY2022
Fiscal Year to date		79,824.25		FY2023
Symetra	8,025.82		11/30/2022	Long Term Disability (50%)
Symetra	7,782.58		12/31/2022	Long Term Disability (50%)
Symetra	7,793.60		1/31/2023	Long Term Disability (50%)
TOTAL	23,602.00	79,824.25		

**CITY OF CHATTANOOGA OPEB TRUST
ADMINISTRATIVE ACTIONS**

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	13,344.85	3/31/2023	
Fiscal Year to date	46,568.73		FY2023
<i>Budget</i>	60,930.00		FY2023
Same quarter last year	22,409.84	3/31/2022	
Prior Fiscal Year Actual	73,773.24		FY2022
 Cavanaugh Macdonald	-	3/31/2023	OPEB valuation
Cavanaugh Macdonald	-	3/31/2023	OPEB GASB 74/75
 CBIZ IAS	5,000.00	3/31/2023	Investment consulting services
 First Horizon Bank	8,344.85	3/31/2023	Administrative Expense
COMPANY TOTAL	13,344.85		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Fiscal Year prior			FY2019
Fiscal Year to Date			FY2020
MANAGER TOTAL	-		

ACCOUNTS RECEIVABLE


COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			
GoldenTree /Distressed Co-Investment Fund	\$244,000.00	3/31/2023	distribution (recallable)
Greenspring Opportunities Fund VII	\$0.00	3/31/2023	distribution
COMPANY TOTAL			

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year to date	(180,000.00)	FY2023	capital calls
Fiscal year to date		FY2023	all other transactions
 Cash			approved transaction
buy vanguard Short Term Treasury Index			approved transaction
 GoldenTree Distressed Co-Investment Fund III			capital call
StepStone VC Opportunities VII			capital call
MISCELLANEOUS TOTAL	-180,000.00		

APPROVED:


Chairman


Secretary