

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

February 18, 2021

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 18, 2021 at 8:30 a.m. online via Zoom. Trustees present were Daisy Madison, Aon Miller, Katie Reinsmidt, Carl Levi, Vivian Barrera, Kerry Hayes and Jeffrey Wilson. Others in attendance at the meeting were Scott Arnwine and Robert Longfield, CBIZ IAS, Inc.; Jed Cooper, First Horizon Bank; Valerie Malueg, Office of the City Attorney; Tanikia Jackson, City Finance Office 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 present at the beginning of the meeting.

Because this is an online meeting, voting on any issue will be by roll call vote.

Approval of Minutes

Kerry Hayes made a motion to approve the minutes from the November 19, 2020 meeting and the called December 21, 2020 meeting. Katie Reinsmidt seconded the motion. After a roll call vote, the minutes were approved as presented.

Administrative Actions

Cheryl Powell presented the Administrative Actions for the current period. The termination transactions are consistent with typical past activity; however, the retirement activity has stepped up with 24 retirements completed for the quarter. Four of these retirements were vested terminated employees choosing to commence their benefit. There were four retiree deaths where beneficiaries received a return of retiree's basis.

Transactions and liquidations for board to ratify include:

- DTC Diversified Partners III sent a distribution check in the amount of \$87,862
- FCA Venture Partners III sent a distribution check in the amount of \$29,794

Cheryl indicated the reallocation of assets for GPP and OPEB that were approved during the November 19 meeting are shown on the report.

Cheryl also shared the statistical profile of the plan as of 2/17/2021. One notable statistic is that there were 52 deaths recorded in the year 2020 when the average runs around 38 per year.

Vivian Barrera made a motion to approve administrative actions. Kerry Hayes seconded the motion. After a roll call vote, the administrative actions were approved as presented.

Education Moment – Scott Arnwine

As part of the investment performance discussion around the hedge funds, Scott Arnwine provided insight into the recent news items related to GameStop and related stock trades. The question is: Do such actions of individual investors affect institutional investments? These trades were of small float stocks with prices of \$3 to \$10 over many years. At the end of 2020, professional investors expected these stocks to fall in price so they 'shorted' the stocks. However, small investors, who believed in these companies and took advice from the Reddit network, bought the stock in a massive run, driving up the price to as high as \$400 per share in a week. This put a strain on the professional investors shorting the stock since they lost money to cover the 'shorts'

when they came due. In a short time, the price of the GameStop stock dropped to below \$40 with most small investors losing their gains.

There are a notes or lessons to be taken from this experience.

- Two managers that had significant losses are in the top ten managers in the Pointer portfolio. Pointer experienced a loss of 11% in 1Q to date with a large portion of the loss attributed to the 'short' activity. It is not a disaster but it is a short term impact to our portfolio results. There is no loss of confidence in these managers from the Pointer perspective. It is not likely they will publish the stocks they are 'shorting' in the future.
- No one expected this to happen. Can this happen again? Yes, in special situations for small stocks but not likely to happen to a heavily traded stock.
- Should a retail investor take investment advice from social media? With no real investment guidance, this leads to emotional and risky rather than rational trades.

Investment Performance Review 4Q 2020 – CBIZ Investment Advisory Services

Robert Longfield provided comments regarding the quarterly results and challenges for future quarters. The performance of the portfolio was outstanding for the year with both GPP and OPEB achieving an all-time high. Markets were up by 18% and swung from a bear to a bull market during the year. Keep in mind that the hardest hit businesses during the pandemic are not represented in the stock market, the small local businesses in the neighborhood. In the S&P 500, the top five stocks were up over 50% while the preponderance of the stocks were up on average 9%. Small cap stocks had improving results in 4Q as expectations began to improve, continuing on into 2021. Value stocks began to improve around September through the end of the year and into early 2021. Technology companies were in the best position to benefit from the pandemic. In the bond market, the yield curve became steeper as rates on the 10 year Treasury began to rise fueled by expectations of increasing inflation in pockets of the economy. Fixed income rates are becoming more depressed and are the focus for allocation adjustment. A document providing the results of an allocation search was distributed for later discussion in this presentation.

Scott Arnwine provided the overview of plan results for the quarter. At the end of 4Q, the GPP fund is over \$349 million, up 9.7% for the quarter and up 12.3% for the year. Within that result, all equity managers, with the exception of Kennedy, and the international manager exceeded their benchmarks for the year. The Kennedy strategy change put in place at the last meeting has been changed beginning January and results of this new strategy will be reflected beginning in 1Q. The hedge funds increased 16.8% for the year with Pointer at 9.9% for 4Q and 18.2% for the year and Ironwood at 7.7% for 4Q and 15.0% for the year.

Fixed income results were 7.7% for the year and up 5% for 4Q. Brandywine struggled in 1Q20 but rebounded finishing up 11.7% for the year, largely due to aggressively buying US Corporates and being significantly underweight the US dollar in emerging markets. Medley and GoldenTree have the expectation of a healthy write up but have not yet reported. This will have a positive effect on fixed income for 4Q.

A review of the investment metric charts for pension funds in the \$250 M - \$1 B size rankings, the GPP lands in the second quartile band for the quarterly results. The GPP fund is managed more conservatively than many funds in this size band, the equity allocations have more of a value bias rather than growth and the overall equity exposure in the GPP fund is less than managers in the first quartile band.

Robert and Scott presented a High Yield/Bank Loan Manager Search document as expected from the last meeting. The recommendation is to replace Chartwell and Voya in the GPP and to replace Allianz in the OPEB fund. The search document is intended to provide guidance in the selection with the goal to balance the allocation in fixed income with the focus of Johnson and Brandywine and the specialty distressed debt to provide and control exposure to high yield investments. The four managers presented in the document are Beach Point, Eaton Vance, GoldenTree and Loomis Sayles. The fee structure is an important consideration in determining the replacement. All of these are primarily high yield bonds and floating rate bank loans. The exposure to high yield bonds, bank loans and emerging markets varies among the four and the ultimate replacement selection may have a different risk characteristic from where the portfolio has been. After discussion of the attributes of each manager as presented in the document, a few conclusions were drawn.

Beach Point was excluded, GoldenTree is relatively expensive in this category and we already have two allocations to them for distressed debt, Loomis is least expensive but has a strategic profile too similar to Johnson so the Eaton Vance mutual fund option appears to be the best fit for the purpose of this allocation.

There was a question of whether the board will choose just one or more than one manager. CBIZ recommends selecting just one manager. Selecting more than one manager may require the board to interview managers. If the board leans toward more than one manager, CBIZ recommends Eaton Vance and GoldenTree.

Carl Levi made a motion to select Eaton Vance as the high yield/bank loan investment manager. Jeffrey Wilson seconded the motion. After a roll call vote, the motion carried.

The discussion led to the next question of how much to allocate to this manager. And there is the issue of fees. Terminating Chartwell and Voya and adding Eaton Vance will maintain the overall fund allocation for about the same fees.

Carl Levi made a motion to terminate the General Pension Plan fund managers Chartwell and Voya and allocate the \$12.6 million to Eaton Vance. Aon Miller seconded the motion. After a roll call vote, the motion carried.

Scott also provided the results for the OPEB fund. The fund now stands at \$102 million. The results were 11.0% for the 4Q and 15.8% for the year. The OPEB has a higher relative exposure to equity with many of the same managers as the GPP.

The high yield/bank loan manager discussion in the GPP also applies to the OPEB. The recommendation is to terminate the manager Allianz and allocate the \$3.2 million to the high yield/bank loan manager Eaton Vance.

Carl Levi made a motion to terminate the OPEB fund manager Allianz and allocate \$3.2 million to Eaton Vance. Jeffrey Wilson seconded the motion. After a roll call vote, the motion carried.

At this point in time, cash has built up in the OPEB fund to \$4.7 million. CBIZ recommends taking \$2 million of cash and allocating it to Johnson to bring the fixed income allocation above the minimum.

Carl Levi made a motion to allocate \$2 million of cash in OPEB fund to Johnson. Aon Miller seconded the motion. After a roll call vote the motion carried.

Election of Officers

The current slate of officers are Daisy Madison, Chair, Aon Miller, Vice Chair and Katie Reinsmidt, Secretary. There were no nominations made to replace any of the officers.

Carl Levi made a motion to re-elect the current slate of officers by acclamation. Jeffrey Wilson seconded the motion. After a roll call vote, the motion carried.

Report from Counsel

There was no report from counsel.

Other Business

The date of the next meeting would normally fall on May 20, but this usually presents a conflict. The board agreed to set the date as May 27. Because it is likely that the Zoom meeting format will not be available, there is concern about the size of the J. B. Collins conference room for distancing. Cheryl Powell agreed to check on availability of other locations for the next meeting.

Carl Levi made a motion to adjourn the meeting.

Daisy Madison adjourned the meeting.

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

Meeting of Trustees
February 18, 2021

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Hinton, Gregory R	Public Works	Imm Early	A	\$319.43	10/1/2020		vested
Curry, Kenardo K	NS/Adminstration	Imm Early	C	\$612.34	12/1/2020		vested
Royal, Catherine	Library	Imm Early	no	\$1,186.28	12/1/2020		vested
Blaylock, Edward R	Public Works	Normal	B	\$1,130.35	1/1/2021		
Blue, Monta G	Human services	Imm Early	E	\$415.79	1/1/2021		vested
Butts, Robert B	Public Works	Rule of 80	no	\$1,594.75	1/1/2021	\$19,383.46	
Cameron, Carlton W	Public Works	Rule of 80	no	\$1,580.73	1/1/2021		
Caylor, Billy R	ECD	Rule of 80	B	\$2,866.01	1/1/2021		
Hill, Earl R.	Public Works	Rule of 80	no	\$2,392.88	1/1/2021	\$29,041.49	
Mahaffey, Michael P	Fire services	Normal	C	\$1,166.51	1/1/2021		
Proffitt, Phillip E	Public Works	Normal	C	\$1,972.69	1/1/2021		
Shealy, Leon H	Public Works	Normal	no	\$1,137.73	1/1/2021		
Shelton, Claude P	Public Works	Rule of 80	C	\$2,089.38	1/1/2021		
Spence, James K	Public Works	Rule of 80	B	\$2,977.01	1/1/2021		
Thornton, Cedric D	Public Works	Normal	no	\$834.10	1/1/2021		
Willis, Samuel E	Human services	Normal	D	\$1,238.71	1/1/2021		
Boyd, Rchard	Public Works	Normal	B	\$1,398.26	2/1/2021		
Cabrera, Maribel	Human services	Imm Early	no	\$869.92	2/1/2021		
Compton, Jesse	Public Works	Imm Early	D	\$617.85	2/1/2021		
Cothern, Lebron	YFD	Normal	no	\$915.57	2/1/2021		
Kilgore, Danny	Public Works	Normal	no	\$2,083.67	2/1/2021		
Knight, Marty L	Public Works	Rule of 80	no	\$1,358.05	2/1/2021		
O'Connor, Sandra	Public Works	Normal	no	\$390.91	2/1/2021		
McLean, Wynetta	County 911	Imm Early	C	\$2,177.98	3/1/2021		
Count		24		\$33,326.90		\$48,424.95	

DEATH BENEFITS - DECEASED ACTIVE OR VESTED EMPLOYEES

Name	Employee	Type	Option	Date of Death	Amount or Monthly Amount	Effective Date	Notes
Beverly Reynolds	Kenneth Reynolds	normal	certain onl	12/30/2020	\$1,776.88	1/1/2021	

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
Rick Colson	B	1/20/2021

DISABILITY BENEFIT REPORT

NAME	TYPE	Employee Number	Insurance Benefit Amount	Effective Date	Notes
Samuel E Willis	non job related	61686		12/23/2020	
Sharon Hines	non job related	73868		1/21/2021	

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions		Employee Number	Termination Date	Refund Amount	Notes
			21	\$27,013.71	
NAME	Department	Employee Number	Termination Date	Refund Amount	Notes
Butchee, LaShonda	Human Services	82737	10/2/2020	\$684.37	automatic
Cameron, Sheila	Public Works	64615	12/31/2020	\$920.50	
Dixon, Emily	ECD	78228	10/1/2020	\$3,205.83	automatic
Dobbins, Joseph	Public Works	85905	9/18/2020	\$335.80	
Dutto, Alex	Transportation	86007	9/23/2020	\$299.72	
Evans, Traci	Human Resouces	61628	12/3/2020	\$732.17	
Hawthorne, Jason	Public Works	82195	9/25/2020	\$1,132.98	
Hodge, Taderrell	Public Works	86427	9/15/2020	\$139.01	
Johnson, Yolanda	Human Services	80076	11/14/2020	\$2,610.43	
Kruizenga, Maria T	Human Resouces	86506	9/10/2020	\$168.88	
Lowdermilk, Amy	Mayor office	80695	9/24/2020	\$2,395.17	
Metzger, Landon	Public Works	85764	11/2/2020	\$455.55	
Mota, Hayden	Public Works	83865	10/15/2020	\$843.51	automatic
Richardson, Willie	Human services	82678	9/4/2020	\$1,085.17	
Stakich, Jeremy	General Government	74885	9/10/2020	\$5,807.57	
Stanfill, Kristen J	ECD	82657	9/11/2020	\$1,801.52	
Townsend, Akim	Public Works	86826	10/29/2020	\$4.09	automatic
Tyson, Elaine	Public Works	85886	10/28/2020	\$491.32	automatic
Ventola, Steven	Public Works	85664	10/8/2020	\$718.02	automatic
Waller, Christopher M	Public Works	85408	10/26/2020	\$617.35	automatic
Webb, Jake R	Fire TN Valley Reg C	79842	9/18/2020	\$2,564.75	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Brittany Blevins	Randy Blevins	11/30/2020	\$580.17	
Randy Blevins II	Randy Blevins	11/30/2020	\$580.17	
Carl Lane	Sharon Cripps	12/15/2020	\$2,397.48	
Paul Myers	Joyce Myers	12/24/2020	\$407.21	
North Terrace Church of Chri	Jonathan Guy	12/10/2020	\$974.81	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE		12/31/2020	
COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	54,870.95	12/31/2020	
Fiscal Year to date	166,274.09		FY2021
<i>Budget</i>	327,370.00		<i>FY2021</i>
Same quarter last year	56,023.67	12/31/2019	
Prior Fiscal Year	294,671.67		FY2020
Cavanaugh Macdonald	-	12/31/2020	GPP valuation
Cavanaugh Macdonald	-	12/31/2020	GPP GASB 67 & 68
Cavanaugh Macdonald			Experience Study
Chattanooga Times Free Press	291.16	12/31/2020	Meeting ad
CBIZ IAS	25,000.00	12/31/2020	Investment consulting services
First Horizon Bank	29,579.79	12/31/2020	Administrative expense
City of Chattanooga services	-	12/31/2020	Administrative expense annual
COMPANY TOTAL	54,870.95		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	105,214.85	12/31/2020	
Fiscal Year to date	199,089.67		FY2021
Same quarter last year	98,311.08	12/31/2019	
Prior Fiscal Year	358,857.48		FY2020
Chartwell	8,999.65	12/31/2020	Investment management fees
Kennedy Capital Management	35,498.00	12/31/2020	Investment management fees
Patten & Patten	17,747.74	12/31/2020	Investment management fees
Sustainable Insights	9,827.09	12/31/2020	Investment management fees
Wedge Capital	33,142.37	12/31/2020	Investment management fees
MANAGER TOTAL	105,214.85		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year to date		\$218,519.00	FY2021
DTC Diversified Partners III	\$87,862.00	12/15/2020	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
FCA Venture Partners III	\$29,794.00	1/15/2021	distribution

COMPANY TOTAL	117,656.00	\$218,519.00	
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year		200,000.00	FY2021	capital call
Kennedy strategy ==> Kennedy			11/18/2020	transaction approved by board
sell Prudential US Corporate Bond		-12,300,000	11/18/2020	transaction approved by board
buy Johnson Institutional Core Bond Fund		12,300,000	11/18/2020	transaction approved by board
sell Aberdeen Emerging Market Debt		-7,200,000	11/18/2020	transaction approved by board
buy Brandywine Global		7,200,000	11/18/2020	transaction approved by board

MISCELLANEOUS TOTAL	0.00	0.00	
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REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Prior Fiscal Year		135,053.61		FY2020
<i>Budget</i>		<i>135,000.00</i>		<i>FY2021</i>
Fiscal Year to date		81,024.94		FY2021
The Hartford	11,509.46		11/30/2020	Long Term Disability (50%)
The Hartford	11,432.33		12/31/2020	Long Term Disability (50%)
The Hartford	11,294.32		1/31/2020	Long Term Disability (50%)
The Hartford				Long Term Disability (50%)

TOTAL	34,236.11	81,024.94	
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**CITY OF CHATTANOOGA OPEB TRUST
ADMINISTRATIVE ACTIONS**

PART II -- ACCOUNT SUMMARY

12/31/2020

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID THIS PERIOD	Qtr Ending	PURPOSE
Current quarter	11,842.60	12/31/2020	
Fiscal Year to date	40,959.88		FY2021
<i>Budget</i>	<i>51,660.00</i>		<i>FY2020</i>
Same quarter last year	10,714.27	12/31/2019	
Prior Fiscal Year	68,451.35		FY2020
Cavanaugh Macdonald	-	12/31/2020	OPEB valuation
Cavanaugh Macdonald	-	12/31/2020	OPEB GASB 74/75
CBIZ IAS	5,000.00	12/31/2020	Investment consulting services
First Horizon Bank	6,842.60	12/31/2020	Administrative Expense
COMPANY TOTAL	11,842.60		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID THIS PERIOD	QUARTER ENDING	PURPOSE
Fiscal Year prior			FY2019
Fiscal Year to Date			FY2020
MANAGER TOTAL	-		

ACCOUNTS RECEIVABLE

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

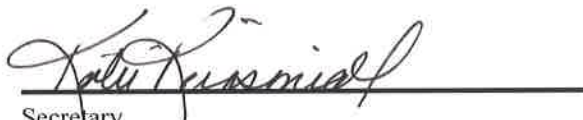
REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year to date	80,000.00	FY2020	capital call
GoldenTree Distressed Fund III			capital call
sell Fidelity Large Cap Growth	-4,000,000	11/18/2020	transaction approved by board
buy Diamond Hill Capital Management	2,000,000	11/18/2020	transaction approved by board
buy Invesco International Growth	2,000,000	11/18/2020	transaction approved by board
sell Aberdeen Emerging Market Debt	-3,600,000	11/18/2020	transaction approved by board
buy Brandywine Global	1,800,000	11/18/2020	transaction approved by board
buy Johnson Institutional Core Bond Fund	1,800,000	11/18/2020	transaction approved by board
MISCELLANEOUS TOTAL	0.00		

APPROVED:



Chairman



Secretary

