

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

**November 18, 2021**

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 18, 2021 at 8:30 a.m. in the J. B. Collins Conference Room, City Council Building. Trustees present were Daisy Madison, Carl Levi, Jeffrey Wilson and Brent Goldberg. Others in attendance at the meeting were Scott Arnwine, CBIZ IAS, Inc.; Jed Cooper, First Horizon Bank; Valerie Malueg, Office of the City Attorney; Shea Jefferson, Madeline Green, 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.

**Approval of Minutes**

***Carl Levi made a motion to approve the minutes from the August 19, 2021 meeting. Jeffrey Wilson seconded the motion. The minutes were approved.***

**Extend the Cavanaugh Macdonald contract one year (fifth year) to December 31, 2022**

This item was moved up on the Agenda since one of the trustees needs to leave before the end of the meeting. The Cavanaugh Macdonald Consulting agreement for actuarial services was initially written for a three year period with the option to renew for two additional one year terms. The contract was renewed for one term to expire December 31, 2021. The action before the board is to renew the agreement for the additional one year term to December 31, 2022. There was no discussion other than the question of the performance of the company. There were no problems identified with the performance of Cavanaugh Macdonald.

***Carl Levi made a motion to extend the Cavanaugh Macdonald Consulting agreement to December 31, 2022. Jeffrey Wilson seconded the motion. The contract extension was approved.***

**Administrative Actions**

Cheryl Powell presented the Administrative Actions for the current period. The retirement transactions are consistent with typical past activity. There were 13 retirements completed for the quarter, seven of them were for vested ex-employees commencing their pension benefit. There was one benefit revision presented due to a divorce and a QDRO. The employee termination activity was about average but the amount of refunded contributions was relatively low suggesting early duration terminations. Cheryl also highlighted the distributions received from DTC Diversified Partners III, Golden Tree Distressed Fund 2014 and Golden Tree Distressed Fund III for a total of \$504,664.00. The account transactions for re-allocation of assets approved during the August meeting are shown on the report for both funds.

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

Cheryl also mentioned as a matter of interest that the number of deaths and the number of retirements in this calendar year are trending toward the high level similar to the prior calendar year. There have been 66 retirements recorded year to date and more expected before the end of the year, where there are 64 in an average calendar year. The average number of deaths is 40 in a calendar year and there has been 47 year to date. In

addition, there are 22 retirees in the Plan that are over 90 years old still receiving a monthly benefit payment. The total pension payments from the plan are \$1.98 million per month.

The required remaining signatures for the Statement of Investment Objectives were obtained at this time.

### **Review Bylaws for Rules pertaining to quorum, voting and passing a motion**

This item is in response to a question from the August 19, 2021 meeting and the votes required to pass a motion, specifically whether it requires a majority of board members or a majority of members present. After some discussion, Valerie was given the task of developing language for the board to consider and vote on at the next board meeting.

### **Education Moment – CBIZ, IAS**

The topic for this meeting is ‘Computer Chips and impact on product delivery’. Scott Arnwine presented some insight into the supply chain issues surrounding the manufacture of computer chips and the ways in which they impact market results and specific instances of impact on the results for the GPP and OPEB.

The computer chip shortage is getting worse (a 21 week lag to get chips) and affecting automakers the most during the summer of 2021. Since 2019, chip sales and shipments decreased. There was an expectation of growth before Covid, and when Covid started, automakers shut down operations with orders that will never be fulfilled. The shortage has also affected the used car market such that used car inventory is being depleted. Automakers also began selling new cars that are not fully equipped.

What factors have led to the shortage? Supply vs. demand, Covid-19 factors, cryptocurrency trading (massive amount of computing resources needed) to name a few. Chip producing factories are not easily created and production does not start up quickly. The factory design is expensive because super-clean air (that is with no dust particles to damage chips) is needed to manufacture the chip. Expansion of existing factories is not easy either. Workers must be highly trained and specialized to create the chips. The cost of investing in chip manufacturing companies has become expensive so it is not the best time to buy in.

The political environment is also a factor as Taiwan Semiconductors is the leading manufacturer and is impacted by the government. China is the largest market for chips. Every company that has exposure in China is subjected approvals and a number of requirements for mergers and acquisitions involving chip manufacturers. The European Union and the US also imposes some of the same requirements for merger and acquisition activity. These factors affect all industries dependent on the availability of sufficient chips to manufacture their products. Amid all the noise affecting markets, the chip shortage and the barriers to entry in that industry appear to be understated.

### **Investment Performance Review 3Q 2021 – CBIZ Investment Advisory Services**

Scott Arnwine provided the overview of plan results for the quarter. There was a lot of volatility in 3Q, particularly in September, the worst month since March 2020. Inflation remains elevated and there are fears that it is not transitory. Supply chain issues have not improved. Prices of certain consumer purchases may be tempering; however, energy costs have increased dramatically. Consumer sentiment decreased in 3Q after improving over the prior four quarters. Countries around the world are in various stages of re-opening. Central bank activity is being affected by the Covid vaccination rates. Both U.S. and non U.S. stock indices fell during September with most down between 2% and 6%.

At the end of 3Q, the GPP fund is over \$374 million, up 1.0% for the quarter, before the alternatives are reported, and 8.8% year to date. The diversification in the GPP portfolio certainly helped. Active manager results were affected more so by their stock selection or ‘what they didn’t own’ in the portfolio. Kennedy Capital (ESG) performed better than the benchmark and the international manager Invesco exceeded their benchmark. In general large cap value managers typically perform better in down markets because of what they

own. Both Wedge and Diamond Hill had better results than the benchmark, even though negative, during this quarter. At the same time, Sustainable did not perform well due to their heavy weighting in technology.

Total Alternative Investments represent 28% of the GPP portfolio. This allocation includes private equity investments, hedge funds, and real estate. The private equity managers may not have reported the 3Q results; however, some of the managers have provided write-ups and made distributions during the quarter.

The Hedge fund allocation of the portfolio consists of two managers. Pointer, a Fund of funds long/short equity manager, buys stocks and sells stocks short and they do this around the world. They seek opportunities in a down market. For the quarter the China index was down considerably but the two Hong Kong managers in the portfolio were short many of those stocks and took advantage of the volatility to contribute to the good results for Pointer in the quarter. Both hedge fund managers, Pointer and Ironwood, performed above their benchmarks in the quarter. For 3Q hedge funds are up 4.4% for the quarter and up 6.5% year to date.

The Real Estate asset category was up 3.3% in 3Q and 12.7% year to date. TerraCap has not yet reported results. Intercontinental is very diversified and rent collections have stayed above 90%.

Fixed income results have benefited from the recent shift to alternative investments. Brandywine, investing in both bonds and currencies, struggled during the quarter due to currency and emerging markets exposures in the portfolio. Brandywine's trailing one year result is well above the benchmark.

Compared to plans of similar size on page 8 of the report, the GPP results are at the median for the year to date and the one year graphs.

Looking ahead to October, the results are improving with the GPP at \$383.8 million and returns are up 2.9%.

For the OPEB Trust, the fund level at the end of 3Q is \$115 million with total returns of 0.4% for the quarter and 8.6% year to date. The results for OPEB often mirrors that of the GPP since OPEB has many of the same investment managers. Cash in the OPEB fund is over \$6.5 million and some of the excess cash may need to be allocated to one of the investment categories. Looking ahead to October results, the OPEB Trust has assets of \$122.4 million and returns are up 3.8%.

### **Report from Counsel**

Valerie provided an update on the TN legislation SB 1520-HB 1540 affecting pensions. She was unable to find an explanation for why this legislation is needed and there is no information and guidance currently in the University of Tennessee Municipal Technical Advisory Service reference materials. Brent Goldberg mentioned that the Fire and Police Pension Board has had to pay some out, but one issue is the determination of reasonable interest and this is not defined in the bill. He also mentioned that the State Treasurer was not consulted about the provisions in the bill during development.

There was no other business to discuss.

***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  
November 18, 2021**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Crutchfield, Margie	EAC	normal	no	\$1,248.35	9/1/2021		vested
Karen Turner	General Government	Imm Early	E	\$1,674.39	9/1/2021		vested
Trotter, William	Public Works	Imm Early	no	\$263.26	9/1/2021		vested
Elliott, Steve E	Public Works	normal	no	\$325.89	10/1/2021		
Fields, David R	Public Works	normal	A	\$501.80	10/1/2021		vested
Lyons, John O	Public Works	normal	no	\$1,801.34	10/1/2021		
Morris, Richard C	Public Works	normal	B	\$2,824.07	11/1/2021		
Fisher, Earnest M	Public Works	normal	C	\$991.72	12/1/2021		
Hartley, Byron Jan	City Yards	normal	B	\$314.28	12/1/2021		vested
Thomas, Alvin	Public Works	normal	no	\$1,442.10	12/1/2021		
Tillison, Warren	Public Works	normal	C	\$1,271.65	12/1/2021		
Curtis, Keith J	Public Works	Imm Early	D	\$479.66	1/1/2022		vested
Spangler, Gary Taylor	Fire Logistics	Imm Early	no	\$946.79	1/1/2022		vested

Count	13	\$14,085.30	\$0.00
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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
James K Spence	QDRO	Rule of 80	B	2977.01	2393.76 11/1/2021
Kim Spence	QDRO			583.25	11/1/2021



**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

9/30/2021

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	65,657.90	9/30/2021	
Fiscal Year to date	65,657.90		FY2022
<i>Budget</i>	329,778.00		FY2022
Same quarter last year	61,403.14	9/30/2020	
Prior Fiscal Year	305,172.87		FY2021
Cavanaugh Macdonald	-	9/30/2021	GPP valuation
Cavanaugh Macdonald	8,000.00	9/30/2021	GPP GASB 67 & 68
Cavanaugh Macdonald			Experience Study
Cavanaugh Macdonald	1,648.00	9/30/2021	Consulting service
Chattanooga Times Free Press	40.14	9/30/2021	Meeting ad
CBIZ IAS	25,000.00	9/30/2021	Investment consulting services
First Horizon Bank	30,969.76	9/30/2021	Administrative expense
City of Chattanooga services	-	9/30/2021	Administrative expense annual
<b>COMPANY TOTAL</b>	<b>65,657.90</b>		

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

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	105,685.55	9/30/2021	
Fiscal Year to date	105,685.55		FY2022
Same quarter last year	93,874.82	9/30/2020	
Prior Fiscal Year	411,669.70		FY2021
Kennedy Capital Mgmt (prorated)	36,276.00	9/30/2021	Investment management fees
Patten & Patten	19,687.99	9/30/2021	Investment management fees
Sustainable Insights	11,258.76	9/30/2021	Investment management fees
Wedge Capital	38,462.80	9/30/2021	Investment management fees
<b>MANAGER TOTAL</b>	<b>105,685.55</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year to date		\$319,047.00	FY2021
Fiscal Year to date		735,664.00	FY2022
DTC Diversified Partners III	\$200,264.00	9/28/2021	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
GoldenTree Distressed Fund 2014	\$134,400.00	10/14/2021	distribution
GoldenTree Distressed Fund III	\$170,000.00	9/28/2021	distribution
<b>COMPANY TOTAL</b>	<b>504,664.00</b>	<b>\$319,047.00</b>	

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to date		(300,000.00)	FY2022	capital call
Fiscal Year to date		-1,000,000.00	FY2022	all other transactions
Buy GoldenTree Distressed Debt IV	-6,000,000		8/19/2021	approved transaction
Buy TerraCap Partners V	-12,000,000		8/19/2021	approved transaction
sell Pointer	5,000,000		8/19/2021	re-allocation to maintain target
redeem all shares AEW for cash	12,000,000		11/5/2021	approximate transaction value
GoldenTree Distressed Debt IV	-300,000		11/4/2021	capital call
<b>MISCELLANEOUS TOTAL</b>	<b>-1,300,000.00</b>	<b>-1,300,000.00</b>		

**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Prior Fiscal Year		136,294.03		FY2021
<i>Budget</i>		135,000.00		FY2022
Fiscal Year to date		25,205.71		FY2021
Symetra	6,335.78		7/31/2021	Long Term Disability (50%)
Symetra	6,335.78		8/31/2021	Long Term Disability (50%)
Symetra	6,239.85		9/30/2021	Long Term Disability (50%)
Symetra	6,294.30		10/31/2021	Long Term Disability (50%)
<b>TOTAL</b>	<b>25,205.71</b>	<b>25,205.71</b>		

**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

9/30/2021

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	20,567.45	9/30/2021	
Fiscal Year to date	20,567.45		FY2022
<i>Budget</i>	<i>70,780.00</i>		<i>FY2022</i>
Same quarter last year	19,117.28	9/30/2020	
Prior Fiscal Year	55,163.06		FY2021
 Cavanaugh Macdonald	 -	 9/30/2021	 OPEB valuation
Cavanaugh Macdonald	8,000.00	9/30/2021	OPEB GASB 74/75
 CBIZ IAS	 5,000.00	 9/30/2021	 Investment consulting services
 First Horizon Bank	 7,567.45	 9/30/2021	 Administrative Expense
<b>COMPANY TOTAL</b>	<b>20,567.45</b>		

***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			

**COMPANY TOTAL**


**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	AMOUNT	EFF DATE	REASON
Fiscal year to date		(300,000.00)	FY2022	capital calls
Fiscal year to date		400,000.00	FY2022	all other transactions
 Buy Greenspring Opportunities VII	 -3,000,000.00		 8/19/2021	 approved transaction
sell Pointer	1,000,000.00		8/19/2021	re-allocation to maintain target
redeem iNetworks for cash	2,400,000.00		8/19/2021	approved transaction
 GoldenTree Distressed Co-Investment Fund III	 -100,000.00		 7/26/2021	 capital call
<b>MISCELLANEOUS TOTAL</b>	<b>300,000.00</b>	<b>100,000.00</b>		



APPROVED:

  
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Chairman

  
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Secretary