

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

February 18, 2016

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 18, 2016 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Stacy Richardson, Erskine Oglesby, Aon Miller, Katie Reinsmidt, Carl Levi, and Steve Perry. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; Scott Arnwine, Gavion, LLC; and Madeline Green, Todd Dockery 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

Erskine Oglesby made a motion to approve the minutes of the November 19, 2015 and the January 11, 2016 meetings. Katie Reinsmidt seconded the motion. The minutes of the meetings were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter.

Steve Perry made a motion to approve the administrative actions. Carl Levi seconded the motion. The administrative actions were unanimously approved.

Cheryl Powell then presented a revision of the form for Refund of Contributions under discussion from the last meeting with the changes suggested by the board members. Valerie Malueg indicated that the Special Tax Notice that is distributed with the form was still under review and she would check on the progress with the law firm making the review.

An IRS determination letter was distributed to the members of the General Pension Plan. There is a \$2,500 fee for requesting the determination. An additional charge will be made by the firm that assisted in producing the letter and the required revisions to the Plan believed to be in the neighborhood of \$5,000. The budget was reviewed to determine that there is sufficient provision made for these costs. Budget line items will be modified to indicate the reason for the expenditures.

Carl Levi made a motion to approve expenditure of the \$2,500 fee for the IRS determination letter and the approximate \$5,000 cost for the assistance with revision of the Plan and the documentation. Erskine Oglesby seconded the motion. The motion carried.

FCA Venture Partners III – question to extend term of limited partnership

Scott Arnwine provided background for this question. This is a private equity fund beginning 2001. The desire is to extend the fund 2 years. The GPP has about \$374,000 capital remaining in this fund. No fees are currently being charged. A document was sent to the Board requesting a vote of 'yes' or 'no'. This does not make an immediate change since it is a majority vote from the limited partners that will determine if the partnership is extended.

Carl Levi made a motion to vote 'yes' to extend the limited partnership. Stacy Richardson seconded the motion. The motion carried.

Performance Review Fourth Quarter 2015 - Gavion

Scott Arnwine provided the review of investment performance. The material provided included separate summaries for GPP and for OPEB.

The year 2015 proved to be volatile throughout the year and ended with virtually no change from the beginning of the year. The S&P 500 ended 1.4% higher for the year mainly due to investments in four highly correlated stocks (Facebook, Amazon, Netflix, Google). Absent these, the S&P 500 ended negative. Among the major detractors was the strengthening of the US dollar and its impact on global investments.

Unlike many public pension plans, the GPP portfolio was up 1.1% for the year aided primarily by the asset allocation strategy that limited the impact of the volatile or down environments. Oppenheimer OFI International Growth, newly added during 2015, had good results supporting the overall gain for the year. Among public pension plans included in the chart on page 8, GPP is in the top quartile for the 1 year results.

For the quarter, the GPP portfolio was up 2.7% but below the benchmark. OFI, Hedge funds, and Real Estate were all in the positive while fixed income was negative. January in particular was harsh with large cap, small cap and international stocks all down and the two hedge funds had negative results in January. Results began to flatten in February with small cap and OFI beating their benchmarks and fixed income flat against the benchmark. Herndon is still being monitored for performance, even though the manager was positive against their benchmark through November, because there are a few stocks in their portfolio with poor results that caused a large drop in December.

In the investment summary book for the GPP, Scott noted that there is a real estate funds violation in the allocation of assets to that category relative to the maximum for the asset class.

The OPEB fund results are different because the fund is relatively small and does not have the breadth of managers and asset classes as the pension fund does. The size of potential investments limits the versatility. The fund was down 1.4% for 2015. There are no portfolio allocation violations in the OPEB funds.

Asset Allocation Study - Gavion, LLC

Scott Arnwine presented the Asset Allocation Study and handout of the results. The study developed some alternative asset portfolios with different mix of assets searching for a return as close as possible to the actuarial assumption while staying within the risk guidelines and tolerance for volatility in the stated investment objectives document. The current portfolio is included in this analysis and the software used is NPI (vendor) software to build the model from the GPP portfolio data and generate simulations. The simulations are guidelines of potential results and are not guarantees.

The current portfolio produced an expected return of 6.8% with a 10.4% standard deviation over a 5 year time horizon. Two alternative portfolios were presented producing returns in the 6.4 to 6.6% range with a lower volatility than the current allocations. Neither produced a result that equals or exceeds the actuarial assumption. The results suggest moving back toward fixed income investments and increasing the allocation to private investments while decreasing exposure to equities. One point to remember is that asset allocation and manager performance are two different aspects of the analysis. It is the reallocation and rebalancing actions taken that helped the portfolio achieve a positive result in 2015.

The portfolios were graphed along the efficient frontier for comparison. Additionally, Scott pointed out the portfolio projections by percentile (potential upside and downside results) through time on page 10 and the pie chart on page 12 showing the asset allocation of Public DB plans in 2014 also stating that the GPP portfolio is different from this depiction. There was discussion about what the results of the study suggest for the direction of the actuarial assumption, future employer contributions, and budget decisions.

In the final comments, Scott recommends that there be a search for a Core Fixed income manager and then the board allocate funds to that asset class from existing managers, for example Brandywine and US Equities.

Report from Counsel

There was no additional report from counsel.

Other Business

Scott Arnwine reminded the members of the Gavion client conference in Memphis, May 9-11 and that everyone should be receiving an invitation

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

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

**Meeting of Trustees
February 18, 2016**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Allison, Patricia	Police services	Normal	no	\$240.64	1/1/2016		
Baker, Edward F	YFD	Normal	C	\$1,045.96	2/1/2016		
Birdsong, Sherry L A	Finance	Rule of 80	no	\$953.10	2/1/2016		
Campbell, Darrell	Public Works	Rule of 80	B	\$1,788.23	1/1/2016	\$86,204.33	three year vested
Chadwick, Doyal	YFD	Imm Early	A	\$913.79	4/1/2016		
Fitten, Maurice	Public Works	Normal	B	\$1,050.09	1/1/2016	\$32,328.11	two year
Flemister, Ruth A	County 911	Rule of 80	A	\$1,672.81	1/1/2016	\$63,170.72	three year
Greever, Robert L	General Services	Normal	no	\$2,284.10	1/1/2016		
Irby, Craig M	Public Works	Rule of 80	C	\$1,406.94	1/1/2016	\$38,325.58	two year
Johnson, Johnna F	Police services	Rule of 80	A	\$1,616.88	1/1/2016	\$62,457.30	three year
Johnston, Eva M	Library	Normal	E	\$2,227.08	1/1/2016		
Lanier, Jerome	Public Works	Rule of 80	B	\$2,133.37	2/1/2016	\$31,607.82	one year
Palacios, Eduardo	Public Works	Normal	no	\$927.24	1/1/2016		
Scott, Deborah	City Council	Normal	no	\$184.17	2/1/2016		vested
Sheldon, Loren	General Government	Normal	no	\$558.40	2/1/2016		
Taylor, Ronald L.	General Government	Rule of 80	no	\$1,722.54	2/1/2016	\$21,395.88	one year
Thompson, Sara P	Human Services	Normal	no	\$1,838.73	1/1/2016		
Thornton, Danny	YFD	Normal	A	\$941.83	2/1/2016		
White, Timothy A	Public Works	Rule of 80	B	\$1,368.39	1/1/2016	\$17,983.19	one year
Williams, Alice L	ECD	Normal	no	\$1,147.61	1/1/2016		
Williams, David L	General Government	Rule of 80	B	\$1,843.90	2/1/2016	\$55,303.00	two year

Count	21	\$27,865.80	\$408,775.93
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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
Scott W. Rowe	B	2/12/2016
Lamar D. Bowman	B	2/12/2016
Steve L. Brumlow	B	2/11/2016
Joseph R. McKeel	B	2/11/2016
John Eric Watkins	B	2/15/2016

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		\$53,172.53		19	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Alfaro, Stephanie	Human Services	74274	\$466.48	10/15/2015	
Andrews, Ethan	Public Works	76232	\$78.71	10/6/2015	automatic
Beard, Stephanie	Human Services	74273	\$505.47	11/12/2015	
Benefield, Jennifer	General Government	68072	\$3,534.06	10/23/2015	automatic
Brewer, Sean	Library	73204	\$1,632.19	10/15/2015	automatic
Clarke, Donald	Public Works	75328	\$186.35	8/24/2015	
Edwards, Meredith	Police - civilian	71791	\$2,552.59	11/13/2015	
Foote, Erica	Human Services	68525	\$1,804.70	7/27/2015	automatic
Goins, Donald	Public Works	75453	\$39.19	5/18/2015	
Harvey, Donald	Public Works	41280	\$14,157.33	11/2/2015	
Horton, Maurice	Public Works	42632	\$3,838.34	10/6/2015	
Kyle, Sandra	General Services	63765	\$3,813.55	6/11/2015	vested
Martin, Rebecca	Finance	75454	\$138.24	8/27/2015	
McDonough, Travis	Mayor Office	71056	\$6,261.61	12/14/2015	
Morris, Christie	ECD	62935	\$4,802.99	12/30/2015	vested
Rollins, Robert	Public Works	62670	\$5,295.74	11/19/2015	
					no evidence he was paid at termination
Shadrick, Jacob	General Services	64435	\$838.72	12/31/2009	
Steele, Jessica	YFD	67950	\$2,881.13	11/16/2015	
York, Tiffany	Human Services	73588	\$345.14	7/28/2015	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Donna D. Hill	Harold Jackson, Sr	10/20/2015	\$752.78	
Melissa D. Rockholt	Wilda Bradford	9/25/2015	\$2,870.06	
Collins Trust	Mildred Collins	11/6/2013	\$1,446.82	
Ernestine Williams	Jesse M. Bradley	12/15/2015	\$641.05	
Beverly S. Bigoms	Jesse M. Bradley	12/15/2015	\$641.05	
Evander Lloyd	Jesse M. Bradley	12/15/2015	\$641.05	
Gregory Sitton	Beverly A Sitton	12/24/2015	\$701.13	
David Brian Sitton	Beverly A Sitton	12/24/2015	\$701.13	
Susan Christopher	Beverly A Sitton	12/24/2015	\$701.13	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		242,675.53		FY2015
Cavanaugh Macdonald		124,974.50		FY2016
Cavanaugh Macdonald				
Cavanaugh Macdonald				
Chattanooga Times Free Press	43.53		11/30/2015	Meeting ad 11/12/2015
Gavion, LLC	25,000.00		12/31/2015	Investment consulting services
First Tennessee Bank	29,335.14		12/31/2015	Administrative expense
City of Chattanooga Human Resources				
COMPANY TOTAL	54,378.67	124,974.50		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		626,217.98		FY2015
		269,675.62		FY2016
Chartwell	7,198.12		12/31/2015	Investment management fees
Herndon	35,189.51		12/31/2015	Investment management fees
Insight	20,430.52		12/31/2015	Investment management fees
Kennedy Capital Management	15,749.00		12/31/2015	Investment management fees
Patten & Patten	11,871.94		12/31/2015	Investment management fees
The London Company	14,077.00		12/31/2015	Investment management fees
Wedge Capital	25,216.77		12/31/2015	Investment management fees
MANAGER TOTAL	129,732.86	269,675.62		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total		\$97.35 FY2016	
Delta Venture Partners II, LP			distribution
SEC vs Dollar General Corp			distribution

COMPANY TOTAL	-	97.35
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		5,000,000.00		FY2015
Fiscal Year to Date		9,318,000.00		FY2016

MISCELLANEOUS TOTAL	0.00	9,318,000.00
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REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year to date		154,471.89		FY2015
Fiscal Year to date		11,218.04		FY2016
VOYA			7/31/2015	Long Term Disability (50%)
VOYA	11,218.04		8/31/2015	Long Term Disability (50%)
VOYA			9/30/2015	Long Term Disability (50%)
VOYA			10/31/2015	Long Term Disability (50%)
VOYA			11/30/2015	Long Term Disability (50%)
VOYA			12/31/2016	Long Term Disability (50%)
VOYA			1/31/2016	Long Term Disability (50%)
TOTAL	11,218.04	11,218.04		

**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		\$16,432.82		FY2015
		18,723.84		FY2016
Gavion, LLC	5,000.00		12/31/2015	Investment consulting services
First Tennessee	4,025.69		12/31/2015	Administrative Expense
COMPANY TOTAL	9,025.69	\$9,025.69		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		60,724.49		FY2015
		28,503.02		FY2016
Herndon	14,359.56		12/31/2015	Investment management fees
MANAGER TOTAL	14,359.56	28,503.02		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total		1,888,087.16		FY 2016 funding allocations
COMPANY TOTAL		1,888,087.16		

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date				
MISCELLANEOUS TOTAL	0.00	0.00		

APPROVED:


Chairman


Secretary