

## MEETING OF THE TRUSTEES

### CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 19, 2020

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 19, 2020 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; and Beverly Moultrie, 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

*Aon Miller made a motion to approve the minutes from the August 20, 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 9 retirements completed for the month of November (with 12/1 commencement dates) and a number of appointments made for December retirements (with 1/1/2021 commencement dates).

Transactions and liquidations for board to ratify include:

- DTC Diversified Partners III sent a distribution check in the amount of \$100,863
- one capital call from GoldenTree Distressed Fund III totaling \$80,000 for OPEB

Cheryl indicated the reallocation of assets for OPEB that were approved during the August 20 meeting are shown on the report.

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

#### Statement of Investment Objectives – board signatures

There were no additional changes suggested for the document that was approved at the August meeting. Cheryl Powell requested that each trustee sign the signature page either digitally or print the page and sign with ink, and then return the signed page by mail or email as appropriate. These signatures need to be returned as soon as possible so that the document can be signed by Beverly Moultrie and recorded by the end of the year. Cheryl stated that by December 4 is the expected return date. To return the signed page by mail, the return mailing address is below the signature on the emails that are sent to notify or remind everyone of the meeting.

#### Education Moment – Scott Arnwine

Scott Arnwine provided a document and discussed the topic of ESG or Environmental, Social, Governance (ESG). While a lengthy definition was provided in the presentation, this is also referred to as socially responsible investing or SRI. The basic premise is to exclude the 'sin' stocks. There is an increased focus on

what stocks to own and how to measure the performance of the stocks in this grouping. MSCI has a suite of benchmarks for both equities and fixed income categories. Institutional Shareholders Services launched a scorecard for an Environmental and Social Quality Score. He provided a layout of the MSCI benchmarks and how they may be used to evaluate the portfolio of the Environment, Social and Governance holdings with different indices and how this would work with an actual manager. The manager will have determined their focus on what to own and what not to own in the portfolio. Certain benchmarks will be more appropriate in evaluating the manager versus others.

On the Environmental segment, it could be the MSCI Carbon Metrics that are measured against their peers. On the Social segment, it could be the MSCI Business Involvement index to measure their social themes versus their peers. On the Governance segment, the ISS Quality Score may be used to rate what the company says they are doing on shareholder rights, board structure, diversity and management compensation versus what an external reviewer or auditor may indicate. The ISS Quality Score reflects the expectation that well governed companies tend to outperform over time.

The Department of Labor has released regulations for comment that are being discussed. As part of its review process, CBIZ does review ESG offerings and can look for specific ESG managers if a client requests it.

In response to any questions about ESG investing, the General Pension Board does not have a formal policy for ESG investing. Within the action items today, a change to the Kennedy strategy will be proposed and does introduce ESG in the portfolio. While not a driving force in public funds, it is showing up in more offerings and some funds are taking a specific view on the subject.

#### **Investment Performance Review 3Q 2020 – CBIZ Investment Advisory Services**

Robert Longfield provided comments regarding the quarterly results and challenges for future quarters. The economy in the third quarter was opening up and overall quarterly results were very good. The GPP rebounded during the quarter to \$320 million. There are still struggles in the level of unemployment and the impact to small businesses. The expectation for unemployment in 2021 is that it will fall to 5% over time. Looking ahead to the next quarter emerging results, the good news about the vaccine in November provided a market rally. Politically, the expectation of the election result is a split party government, viewed by business as more friendly since regulatory activity is slowed and there is a lower chance of extreme regulatory changes. The dollar continues to weaken which benefits the international segments of the portfolio. Some of the reasoning is that interest rates are low, similar to the rates among other developed countries, and the expectation of continued stimulus which presents concerns over the deficit. One of the highlights of the quarter is that single family home construction is up and at the highest level in 13 years due to migration of families out of the city to larger home spaces in the suburbs. The largest population segments are in the 27-30 year old range, in the household formation stage and interested in getting out of apartments and into homeownership. Along with that is the furnishings and durable purchases that will be made in other sectors. All in all this is good news for the economy indicating positive growth. At the same time, low interest rates have pushed investors toward high yield assets and toward investment grade corporate bonds.

Scott Arnwine provided the overview of plan results for the quarter. At the end of 3Q, the GPP fund over \$320 million was up 5.3%. Within that result, equity investments were up 8.7% overall and up 8.1% for domestic. Over the course of the quarter there was a lot of volatility; thus, active management has been helpful during this period. Patten and Patten, a growth manager, was up 9.4% over the quarter and 13.8% year to date, being overweight to selected technology stocks and stock selection in consumer staples. For the large cap value investors (Wedge, Diamond Hill, Sustainable), the goal is to outperform in the downturn. The results for these managers are negative for the year to date although all three are above their benchmark. As active managers, they were able to avoid many of the stocks that were hit the worst in the market. Their results have bounced back to positive during 3Q. Kennedy, a small cap core manager with a value bent, underperformed early in the year, due to heavier investment in financials than the benchmark, but ended 3Q right at the benchmark. International equity manager Invesco was up 10.1% for the quarter and benefited from the weakening dollar mentioned earlier. The hedge fund managers have significantly outperformed for the quarter and the year with both managers exceeding their benchmark. Total Real Estate was up 1.3% for the quarter. Total fixed income was below the benchmark with a 2.1% return. There is some diversity in our fixed income portfolio among

global bonds, domestic corporate bonds, and short term bonds and in the returns for different managers in the fixed income portfolio. There are recommendations that CBIZ will be making on reallocations or consolidations in this category.

First Scott addressed Kennedy Capital Management, a small cap equity manager in the portfolio, and the change in strategy recommendations. CBIZ recommends that the GPP remain with Kennedy but change to a different small/mid cap strategy at Kennedy. The presentation document provided will be made a part of these minutes. Kennedy has performed below expectations since inception, not in the bottom quartile but more in the middle among their peers. The current portfolio manager was promoted to be CIO of the firm. With this change in management, the recommendation is that the GPP switch to another core small/mid cap strategy team at Kennedy. The analyst criteria are the same for both strategies. This recommended strategy has a shorter history and considers ESG factors in the investment strategy; however, the slides in the presentation document indicate performance of this strategy has been good. The asset base is currently smaller; however, it is a strategy in firm that is familiar to the GPP Board and portfolio. The fee structure would be a savings from the existing strategy. Kennedy is offering the GPP a fee of 70bp for the first two years and 75bp thereafter, a discount to their stated fee structure.

*Aon Miller made the motion to proceed with the change in the Kennedy Capital Management investment strategy from the existing strategy to the recommended small/mid cap strategy including ESG criteria. Carl Levi seconded the motion. The roll call vote was unanimous and the motion carried.*

The next recommendation is to make changes to the fixed income portfolio. A review of the total fixed income portfolio started with just looking for a replacement of Chartwell. This review resulted in the recommendation to terminate some relationships and move funds to other existing relationships. The recommendation is to terminate the Prudential Corporate Bond relationship and Aberdeen Emerging Market Debt relationship. Some of the reasons for this have more to do with the need for managers to make more sector moves rather than displeasure with current results. Johnson and Brandywine have proven that they will provide more opportunity to move the funds among sectors for additional gain than will either Aberdeen or Prudential. The allocated funds from Prudential would be moved to Johnson Institutional Core Bond Fund. The fees will change from Prudential's 28bp to Johnson's 25bp on these funds. The allocated funds from Aberdeen would be moved to Brandywine Global which includes about 40% emerging market debt. The fees will change from Aberdeen's 90bp to Brandywine's 48bp on these funds. A review of the Voya Floating Rate Fund and Chartwell Short Duration High Yield in GPP will be conducted for future portfolio allocation recommendations.

*Carl Levi moved to (1) terminate the Prudential Corporate Bond manager relationship and allocate the assets to the Johnson Institutional Core Bond Fund manager and (2) terminate the Aberdeen Emerging Market Debt manager relationship and allocate the assets to the Brandywine Global manager. Jeffrey Wilson seconded the motion. The roll call vote was unanimous and the motion carried.*

The OPEB fund at \$88.6 million was up 7.2% for the quarter. The individual equity manager performance was similar to that in the GPP as these managers are in both fund allocations. The results were up 10.8% in total, up 11.0% for domestic and 10.1% for international. Fixed income manager performance was up 2.57 and the alternative manager performance was up 3.0%. Forward looking results indicate that month to date November equity results are up approximately 6.0%. CBIZ will be making allocation recommendations today for the OPEB portfolio. A review of Allianz Short Duration High Yield fund in OPEB will be conducted for future portfolio allocation recommendations in tandem with the GPP fund allocation review.

CBIZ made two recommendations for portfolio reallocations of the OPEB fund. The basic strategy is to balance the allocations between growth and value and to increase the allocation to international equity closer to the target allocation. The first is to take \$4 million from the Fidelity Large Growth fund and reallocate \$2 million to Diamond Hill Capital Management and \$2 million to Invesco International Growth fund. The second recommendation is to terminate the Aberdeen Emerging Market Debt manager relationship at \$3.6 million and split the reallocation as \$1.8 million to Brandywine Global and \$1.8 million to Johnson International Core Bond fund to keep a balance between the two managers. The second change will lower fees from Aberdeen's 90 bp to Brandywine's 48bp and Johnson's 25bp. The overall fees in the OPEB fund should decrease.

*Carl Levi made the motion to transfer \$4 million from Fidelity Large Growth fund and reallocate \$2 million to Diamond Hill and \$2 million to Invesco International Growth. Vivian Barrera seconded the motion. The roll call vote was 6 ayes and one abstention due to having investments in the Fidelity fund. The motion carried.*

*Carl Levi made the motion to terminate the Aberdeen manager relationship at \$3.6 million and allocate \$1.8 million to Brandywine Global and \$1.8 million to Johnson. Jeffery Wilson seconded the motion. The roll call vote was unanimous and the motion carried.*

#### **Report from Counsel**

Valerie provided a brief update to address a question about the purchasing department and the proposed language changes. There are no violations of the 'sunshine' provisions for board meetings as the evaluations and scoring for proposals are performed independently and with no discussion among the reviewers.

#### **Other Business**

Carl Levi wished everyone happy holidays (Thanksgiving and Christmas) and hopes that we all stay well and above ground.

Daisy Madison adjourned the meeting.

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

Meeting of Trustees  
November 19, 2020

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Richardson, Dorothea	YFD	normal	no	1189.31	10/1/2020		
Spehar, Mary	Library	normal	C	1240.34	10/1/2020		
Teague, Barry	Finance - Internal Audi	normal	no	1171.06	10/1/2020		
Sagraves, Scott	ECD	imm early	A	502.95	11/1/2020		
Vaught-Larson, Jeanetta I	Human Services	rule of 80	E	1706.01	11/1/2020	\$70,847.48	
Fuller, Tommy	Public Works	normal	no	\$1,034.31	12/1/2020		
Jackson, Harry H	Public Works	normal	no	990.52	12/1/2020		
Kreischer, Barbara W	Library	normal	no	3282.09	12/1/2020		
McCarthy, Mary	ECD	imm early	no	\$457.32	12/1/2020		
Morris, Sharon H	Finance - Treasurer	rule of 80	B	2309.62	12/1/2020	\$31,576.53	
Saunders, Dennis	Public Works	normal	B	\$1,269.41	12/1/2020	\$124,943.58	
Self, Julie B	ECD	normal	A	428.97	12/1/2020		
Smith, Judy A	Police services	normal	no	1253.40	12/1/2020		
Zachary, Cedric	Public Works	normal	A	1464.19	12/1/2020		
Collins, Sherman	Public Works	normal	no	\$994.23	1/1/2021		
Dyar, Phillip	Police services	normal	C	\$524.46	1/1/2021		

Count	16		\$19,818.19	\$227,367.59
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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
Stephanie Patterson		80059		8/20/2020	received partial LTD; left employment on 8/20/2020

**LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)**

**Return of contributions**

**17    \$32,582.54**

NAME	Department	Employee Number	Termination Date	Refund Amount	Notes
Brown, Frederick	Public Works	80635	10/12/2020	\$1,336.96	
Chubb, Christie L	Public Works	83862	8/5/2020	\$719.25	
Daniels, Angela	ECD	60815	8/5/2020	\$552.45	
Delmas, Christopher	ECD	85562	7/3/2020	\$333.01	
Fletcher, William	Public Works	73810	8/27/2020	\$3,891.05	vested
Ford, Ariel	Human Services	79155	8/11/2020	\$5,877.67	
Hernandez, Terri	Human Resources	80517	6/11/2020	\$2,884.90	
Hill, Ericka	Human services	67669	9/25/2020	\$2,229.29	
Holley, David	Public Works	79696	7/13/2020	\$2,368.81	
Morgan, Michael	Public Works	85064	8/27/2020	\$608.71	
Murphy Mark	Public Works	84602	8/27/2020	\$741.83	
Sledge, Eric	Public Works	56724	8/27/2020	\$6,343.86	vested
Wells, Christopher	Public Works	85163	7/15/2020	\$507.17	
Williams, Marques C	Public Works	85125	8/5/2020	\$529.00	
Winters, John	Public Works	85945	7/24/2020	\$51.17	
Wolfe, Samuel R	ECD	80516	6/19/2020	\$2,408.49	
Younce, Ernest L	Police services	81016	6/4/2020	\$1,198.92	

**Return of deceased retiree basis**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
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**PART II -- ACCOUNT SUMMARY**

<b>ACCOUNTS PAYABLE</b>		9/30/2020	
COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	61,403.14	9/30/2020	
Fiscal Year to date	61,403.14		FY2021
<i>Budget</i>	327,370.00		<i>FY2020</i>
Same quarter last year	63,351.27	9/30/2019	
Prior Fiscal Year	294,671.67		FY2020
Cavanaugh Macdonald	-	9/30/2020	GPP valuation
Cavanaugh Macdonald	8,000.00	9/30/2020	GPP GASB 67 & 68
Cavanaugh Macdonald			Experience Study
Chattanooga Times Free Press	144.70	9/30/2020	Meeting ad
CBIZ IAS	25,000.00	9/30/2020	Investment consulting services
First Horizon Bank	28,258.44	9/30/2020	Administrative expense
City of Chattanooga services	-	9/30/2020	Administrative expense annual
<b>COMPANY TOTAL</b>	<b>61,403.14</b>		

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

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	93,874.82	9/30/2020	
Fiscal Year to date	93,874.82		FY2021
Same quarter last year	92,339.79	9/30/2019	
Prior Fiscal Year	358,857.48		FY2020
Chartwell	8,762.50	9/30/2020	Investment management fees
Kennedy Capital Management	31,207.00	9/30/2020	Investment management fees
Patten & Patten	16,275.04	9/30/2020	Investment management fees
Sustainable Insights	8,536.90	9/30/2020	Investment management fees
Wedge Capital	29,093.38	9/30/2020	Investment management fees
<b>MANAGER TOTAL</b>	<b>93,874.82</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$345,957.23	FY2019
Fiscal Year to date		\$100,863.00	FY2020
DTC Diversified Partners III SEC vs Dollar General Corp Northern Trust	\$100,863.00	9/18/2020	distribution distribution class action litigation settlement

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<b>COMPANY TOTAL</b>	<b>100,863.00</b>	<b>\$100,863.00</b>
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**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year		11,470,000.00		FY2020
Fiscal Year		200,000.00		FY2021

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<b>MISCELLANEOUS TOTAL</b>	<b>0.00</b>	<b>0.00</b>
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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		46,788.83		FY2021
The Hartford	11,722.97		7/31/2020	Long Term Disability (50%)
The Hartford	11,751.17		8/31/2020	Long Term Disability (50%)
The Hartford	11,679.54		9/30/2020	Long Term Disability (50%)
The Hartford	11,635.15		10/31/2020	Long Term Disability (50%)
<b>TOTAL</b>	<b>46,788.83</b>	<b>46,788.83</b>		

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**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

9/30/2020

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID THIS PERIOD	Qtr Ending	PURPOSE
Current quarter	19,117.28	9/30/2020	
Fiscal Year to date	19,117.28		FY2021
<i>Budget</i>	<i>51,660.00</i>		<i>FY2020</i>
Same quarter last year	17,717.26	9/30/2019	
Prior Fiscal Year	68,451.35		FY2020
Cavanaugh Macdonald	-	9/30/2020	OPEB valuation
Cavanaugh Macdonald	8,000.00	9/30/2020	OPEB GASB 74/75
CBIZ IAS	5,000.00	9/30/2020	Investment consulting services
First Horizon Bank	6,117.28	9/30/2020	Administrative Expense
<b>COMPANY TOTAL</b>	<b>19,117.28</b>		

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

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

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT PAID THIS PERIOD	QUARTER ENDING	PURPOSE
Prior quarter total			
<b>COMPANY TOTAL</b>			

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year prior	8,097,141.53	FY2020	
Fiscal year to date	80,000.00	FY2020	
GoldenTree Distressed Fund III	80,000.00	10/16/2020	capital call
Cash	-2,000,000	8/20/2020	from 6/30/2020 statement
Pointer Offshore Ltd	1,000,000	8/20/2020	from 6/30/2020 statement
Ironwood International Ltd	1,000,000	8/20/2020	from 6/30/2020 statement
<b>MISCELLANEOUS TOTAL</b>	<b>80,000.00</b>		

APPROVED:

*Daisy Madison*

Daisy Madison (May 4, 2021 09:22 EDT)

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Chairman

*Kate Rossmitt*

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Secretary