

## MEETING OF THE TRUSTEES

### CITY OF CHATTANOOGA GENERAL PENSION PLAN

August 19, 2021

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on August 19, 2021 at 8:30 a.m. in the Veranda Room in City Hall. Trustees present were Daisy Madison, Aon Miller, Katie Reinsmidt and Vivian Barrera. Others in attendance at the meeting were Robert Longfield, CBIZ IAS, Inc.; Jed Cooper, First Horizon Bank; Valerie Malueg, Office of the City Attorney; Shea Jefferson, Deborah Guy, 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 not present at the beginning of the meeting. The agenda was revised to first review Investment Performance until the quorum was present.

A quorum became present once the fourth Trustee arrived after being delayed by traffic.

#### **Investment Performance Review 2Q 2021 – CBIZ Investment Advisory Services**

Robert Longfield provided the overview of plan results for the quarter. He walked through the General Pension Plan report highlighting the results over the past quarter, first focusing on the results of the different asset categories. He noted that there are no violations of the asset allocations versus the maximums; however some categories are approaching the maximums, and he noted that the performance of the fund exceeds the actuarial assumption. At the end of 2Q, the GPP fund is over \$371 million, up 5.1% for the quarter and 7.1% year to date.

He indicated that certain economic conditions have and will continue to affect results: inflation, which is expected to be transitory; supply chain disruptions and consumer substitutions; increased consumer spending; challenges in the semiconductor industry supplying automobile manufacturers; and, the impact of rising home prices.

The total portfolio one year, three year and five year results are 24.8%, 10.6% and 10.4%, respectively. Within that result, total equity, representing 47% of the portfolio, was up by 7.0% for the quarter and 13.2% for the year. Within total equity, the portfolios of domestic equity managers performed at or near their benchmark for the quarter. Kennedy Capital portfolio moved to ESG from small cap investments this quarter and had good performance from the REITs within the portfolio. The international equity portfolio was up 6.9% for the quarter and above the benchmark; however, that portfolio is performing below the benchmark year to date.

Total Alternative Investments represent 29% of the GPP portfolio. This allocation includes private equity investments, hedge funds, and real estate. The private equity investments have not reported the 2Q results; however, the reported internal rates of return are in double digits. Hedge funds comprise 17% of the portfolio with results that are improving after a difficult 1Q. For 2Q hedge funds are up 3.8% with the year to date result of 1.6%.

The Real Estate asset category was up 6.1% in 2Q and 9.2% year to date. The two managers are operating above the benchmark for the quarter and year to date and the TerraCap fund is providing an internal rate of return above 9%.

Fixed income results were better than the benchmark with positive returns in 2Q while returns are negative for year to date. New manager Eaton Vance met the benchmark for their portfolio for 2Q. Medley and GoldenTree have contributed positive rates of return since their inception dates bolstering the fixed income segment.

Robert presented the following recommendations for allocation changes for the GPP:

- **First, CBIZ recommends an increase in the private debt commitment by investing in GoldenTree Distressed Debt IV.** The current allocation to private debt is approximately 2% underweight. Returns for the two existing funds, Medley and GoldenTree II, that the GPP has invested in have been good (12% and 32% annualized to date, respectively). The Medley and GoldenTree II funds are returning capital so the underweight is expected to grow. *The recommendation is to commit \$6 million to the GoldenTree Distressed Debt IV fund.*
- **Second, move from liquid real estate to private real estate by investing in TerraCap Partners V.** TerraCap Partners III has performed well for the GPP compounding above 9% net. There has been a tremendous rebound in publicly traded REITs over the last year with AEW up 33%. However, CBIZ believes better value exists in the private segment so *the recommendation is that TerraCap Partners V be hired for \$12 million.* Funding will come from terminating the AEW Global Properties Trust of \$11.5 million and additional cash as needed.
- **Last, redeem \$5 million from Pointer.** Pointer at 9.3% of the portfolio is currently over the target allocation of 7.5%. They have semi-annual redemptions with advance notice. Notice is needed now to reduce the allocation by year end.

*Katie Reinsmidt made a motion to implement the recommendations for the GPP to invest \$6 million in GoldenTree Distressed Debt IV and invest \$12 million in TerraCap Partners V. Aon Miller seconded the motion. The motion carried.*

*Katie Reinsmidt made a motion for the GPP to redeem \$5 million from Pointer. Vivian Barrera seconded the motion. Three members voted for the motion with one abstention. The motion carried.*

For the OPEB fund, the fund level at the of 2Q is \$113.6 million with total returns of 5.6% for 2Q and 8.2% year to date. The equity allocations are 61.3% of the portfolio and includes more indexed products. The investment managers are similar to those in the GPP portfolio. Equity results were up 7.4% and fixed income up 2.8% in 2Q. The hedge funds results mirrored those of the GPP. Year to date, Diamond Hill and Invesco International Growth are trailing their benchmarks, fixed income overall is trailing the benchmark and alternative investments, with the exception of Intercontinental US REIF, are performing below their benchmark. GoldenTree Distressed Fund III is performing well; however, there is still a significant outstanding commitment.

Growth has accelerated with significant gains in recent history. CBIZ made recommendations for portfolio changes:

- **First, the private equity fund iNetworks has a position, Cognition Rx, going public and requires action by the board.** The OPEB Trust has the option of allowing i-Networks to sell the stock and provide cash to the fund or receive the security in kind. *CBIZ recommends is that i-Networks to sell the stock and provide the cash proceeds to the OPEB Trust.*
- **Second, increase the private equity commitment by investing in Greenspring Opportunities VII.** Greenspring Funds have performed very well for the GPP and the OPEB Trust is currently below the target allocation to private equity. Greenspring is offering their current direct investment fund in the market. CBIZ expects the fund to be oversubscribed by their final close in December with those in the last close receiving a reduction in their commitment amount. They have a target of \$850 million for the fund size. If the OPEB is able to subscribe by the first close in September, the allocation amount is guaranteed. *CBIZ recommends a \$3 million commitment.* This commitment will be approved pending the review of the documents and additional disclosures surrounding purchase of Greenspring by StepStone Group Inc.
- **Last, redeem \$1 million from Pointer.** Pointer, at 4.5% of the portfolio, is over the target allocation of 3.5%. They have semi-annual redemptions with advance notice. Notice is needed now to reduce the allocation by year end.

*Katie Reinsmidt made a motion to implement the recommendations of the OPEB Trust signing the approval form to take cash instead of stock from iNetworks and investing \$3 million in Greenspring Opportunities Fund VII. Vivian Barrera seconded the motion. The motion carried.*

***Katie Reinsmidt made a motion for the OPEB Trust to redeem \$1 million from Pointer. Vivian Barrera seconded the motion. Three members voted for the motion with one abstention. The motion carried.***

#### **Statement of Investment Objectives – board review to update document**

CBIZ did not make any recommendations for changes at this time. None of the Trustees made any comments or amendments to the document.

***Katie Reinsmidt made a motion for the current Statement of Investment Objectives document to be approved for the next year. Aon Miller seconded the motion. The motion carried.***

Cheryl Powell reminded the board that they all must sign this document.

#### **Approval of Minutes**

***Vivian Barrera made a motion to approve the minutes from the May 27, 2021 meeting. Aon Miller 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. There were 18 retirements completed for the quarter. There were three active employee deaths where the beneficiary is receiving a 10 year certain annuity. The employee termination activity was above average but the amount of refunded contributions was relatively low suggesting early duration terminations. The reallocation activity approved in February is reflected in the account transactions for both GPP and OPEB. Cheryl noticed a mistake in the GPP report page where cash transfer transactions for OPEB were inadvertently recorded. She will correct that error for the final version of the report.

***Aon Miller made a motion to approve administrative actions. Katie Reinsmidt 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 of the prior calendar year. 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.

Cheryl presented information about a new law in Tennessee Public Chapter No. 382, Senate Bill No 1520, with effective date 7/1/2021. The gist of the law is that a member of the Tennessee Consolidated Retirement System (TCRS) may get creditable service in that plan for prior service they may have had with other government entities by notifying TCRS and the board of trustees of the retirement system of the other government entity. To comply, the other government retirement system must transfer employee and employer contributions made on the requesting member's behalf with interest to TCRS. The law does not provide any background information or supporting guidance.

The GPP is a defined benefit plan and is an unallocated fund meaning that participants do not have individual accounts in the Plan. The contributions a participant has made is maintained in a reporting system; however, the accrued benefit at any point in time is determined by a formula based only on calendar year earnings and years of service. The required funding contribution for the future benefit is determined through actuarial valuations each year.

For initial discussion purposes on calculations of benefit value, Ed Koebel produced a proposed example calculation of the value of the employee's contributions and an estimate of the employer's contributions. He first calculated the present value of the future retirement benefit for an example participant at the expected date of retirement using the normal retirement age of 62 and a valuation discount rate. This provides a determination

of the current cost of the benefit payments promised to be paid in the future. The employee's contributions are known. The calculated present value less the employee's contributions with estimated interest provided an estimate of the portion attributed to the employer.

Ed identified several issues with calculating the dollar values.

- Pay history of the participant and the contribution history of the employer are not entirely known.
- Employer contributions are not allocated to each individual participant.
- The GPP is not fully funded, so no participant has a fully funded benefit.
- The current GPP does not allow for withdrawals in excess of the employee's known contributions. Such withdrawals terminate participation in the plan.
- The TCRS benefit structure and assumptions differ from the GPP so the liabilities are not comparable.

Valerie Malueg, along with other attorneys for pension plans will be attending a meeting in September where this will be a topic of discussion. The board anticipates learning more at the next meeting.

### **Report from Counsel**

Valerie researched the bylaws and recommended that the board review the bylaws to address the voting rules. During the meeting there was a question regarding the votes needed to carry a motion. She suggested addressing this at the November meeting.

***Katie Reinsmidt made a motion to adjourn the meeting. The motion was seconded and approved.***

Daisy Madison adjourned the meeting.

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

Meeting of Trustees  
August 19, 2021

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Hayes, Angela	Human Services	normal	C	\$546.56	6/1/2021		
Everett, Melanie	Finance	Imm Early	no	\$331.92	6/1/2021		vested
Oweis Ayoub, Abeer E	Human services	Imm Early	D	\$113.10	6/1/2021		vested
Owen, Lloyd S	Transportation	normal	B	\$3,077.73	7/1/2021		
Ward, Chip	Public works	normal	B	\$1,724.95	7/1/2021		
Bonner, Deborah K	Human Services	normal	no	\$405.61	8/1/2021		
Newson, Tyrone	Transportation	normal	D	\$1,925.33	8/1/2021		
Slaten, Thomas	Public works	normal	no	\$1,435.00	8/1/2021	\$61,696.67	
Slowikowski, Frank T	Public works	normal	B	\$412.97	8/1/2021		
Jeckel, Richard J	Public works	normal	B	\$224.15	8/1/2021		
Wallace, Angela	Public works	normal	no	\$551.62	8/1/2021		
Zurkiya, Jamileh M	Finance	normal	B	\$2,665.69	8/1/2021		
Williams, Donna C	ECD	Imm Early	no	\$1,510.11	8/1/2021		
Evans, James D	Public works	normal	no	\$1,035.47	8/1/2021		
Higdon, James R	Public works	normal	B	\$2,642.97	9/1/2021		

Count	15	\$18,603.18	\$61,696.67
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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
Merlin Hughey	Charise Holloway-Hughey	certain only	A	5/18/2021	\$523.21	6/1/2021	active ee
Stephanie Harrelson	Stephen Harrelson	certain only	A	5/15/2021	\$165.39	6/1/2021	active ee
Edith McKibben	Cecil McKibben	certain only	A	6/24/2021	\$1,676.54	7/1/2021	active ee

**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
Richard Jeckel	B	6/9/2021
Robert Eller	A	6/23/2021

**DISABILITY BENEFIT REPORT**

NAME	TYPE	Employee Number	Insurance Benefit Amount	Effective Date	Notes
Michael Berry	not job related	na - airport		6/11/2021	
Karen Edwards	not job related	55285		2/17/2021	retro to 12/21/2020
Kenneth Trammell	not job related	56376		6/16/2021	
Rodney Jackson	job related	77964		7/13/2021	retro to 4/8/2020
Karen Davis	not job related	68091		7/16/2021	retro to 5/24/2021
Denise Crowder	not job related	78187		7/16/2021	retro to 5/17/2021

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

Return of contributions		39	\$68,191.80		
NAME	Department	Employee Number	Termination Date	Refund Amount	Notes
Albright, Richel	ECD	81042	3/27/2021	\$3,650.22	
Allen, Charita	ECD	79735	4/15/2021	\$7,226.34	
Bice, Yvonne	Human Services	69446	1/1/2021	\$974.62	
Crawford, Caitlin	RPA	84824	3/22/2021	\$1,409.13	
Hayes, Kerry	Mayor office	80395	4/16/2021	\$7,276.66	
Howard, Phillip	Public Works	86006	3/9/2021	\$553.15	
Irvin, Catherine	Transportation	80997	2/26/2021	\$2,166.07	
Knox, Mickelia	Human Services	84022	3/25/2021	\$1,010.80	
Mason, Juvonta	Public Works	81688	3/22/2021	\$1,649.83	
Nicholson, Anthony	Public Works	84584	3/21/2021	\$922.51	
Runyan, Stacy	Public Works	81308	3/11/2021	\$1,033.83	
Wells, LeRon	Public Works	87046	3/18/2021	\$151.61	
Wichman, Teresa	Finance-Court Clerks	86887	4/22/2021	\$256.14	
Williams, Tre	General Government	80121	2/19/2021	\$810.29	
Woodley, Michael	Public Works	77969	4/16/2021	\$2,386.44	
Johnson, Brittany C	Finance-Treasurer	86706	3/29/2021	\$677.17	
Richardson, Robert	Human Resouces	86406	5/5/2021	\$59.12	
Mitchell, Allison	Public Works	84004	5/6/2021	\$1,066.66	
DeLaPaz, Lauren M	ECD	83137	5/13/2021	\$1,162.50	
Sanchez, Marisol	Purchasing	80356	5/13/2021	\$2,986.65	
Tsukide, Kimika	Public Works	81848	5/14/2021	\$1,880.33	
Shelton, Jaime	Purchasing	84904	5/14/2021	\$1,400.80	
Jones, Kevin	Public Works	67591	5/20/2021	\$1,336.21	
Hicks, Rufus	Finance-Attorney Offi	61091	5/21/2021	\$77.00	
Penn, Eric	Public Works	79697	5/27/2021	\$2,039.79	
Wooten, Joshua	Public Works	82495	5/27/2021	\$933.76	
Roshell, Garry	Public Works	60013	11/22/2011	\$2,375.32	
Post, Thomas	Public Works	81667	6/7/2021	\$1,736.88	
McCroy, Lance	Transportation	71169	6/17/2021	\$5,507.91	vested
Robinson, Adarius	Public Works	76133	3/31/2021	\$997.77	
Viola, Alicia	Finance-Treasurer	81748	4/6/2021	\$1,686.06	
McClendon, Cordarius	Public Works	87167	4/13/2021	\$91.58	
Runyan, (Shane) Casey	Public Works	85066	4/15/2021	\$278.04	
Sansom, Jonathan	RPA	80195	4/15/2021	\$2,773.06	
Wells, Katherine	Mayor office	73267	4/19/2021	\$3,049.55	
Dixie, Damarcus J	Public Works	85826	4/19/2021	\$709.20	
Langston, Johnetta	ECD	80199	4/23/2021	\$1,122.85	
Montgomery, Robert	Public Works	83883	4/26/2021	\$899.35	
Gray, Jacob	Public Works	81914	4/27/2021	\$1,866.60	
Waller, Robert	Public Works	80397	4/29/2021	\$795.26	
Bright, Rebecca	Human Services	82320	5/20/2021	\$1,163.98	

**RETURN OF DECEASED RETIREE BASIS**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Reginald Jordan	Beatrice Starr	4/18/2021	\$1,055.02	
Tommy Jones	Lula B. Jones	6/3/2021	\$802.86	
Janet C. Vaughn	William R. Vaughn	7/4/2021	\$457.48	
Charles Etta Pollard	Billie Pollard	7/25/2021	\$1,660.65	

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

6/30/2021

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	105,421.38	6/30/2021	
Fiscal Year to date	305,172.87		FY2021
<i>Budget</i>	327,370.00		<i>FY2021</i>
Same quarter last year	104,899.07	6/30/2020	
Prior Fiscal Year	294,671.67		FY2020
Cavanaugh Macdonald	2,800.00	6/30/2021	GPP valuation
Cavanaugh Macdonald	-	6/30/2021	GPP GASB 67 & 68
Cavanaugh Macdonald	-		Experience Study
Cavanaugh Macdonald	-	6/30/2021	Consulting service
Chattanooga Times Free Press	40.14	6/30/2021	Meeting ad
CBIZ IAS	25,000.00	6/30/2021	Investment consulting services
First Horizon Bank	31,120.24	6/30/2021	Administrative expense
City of Chattanooga services	46,461.00	6/30/2021	Administrative expense annual
<b>COMPANY TOTAL</b>	<b>105,421.38</b>		

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

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	105,062.62	6/30/2021	
Fiscal Year to date	411,669.70		FY2021
Same quarter last year	87,799.48	6/30/2020	
Prior Fiscal Year	358,857.48		FY2020
Kennedy Capital Mgmt (prorated)	35,584.00	6/30/2021	Investment management fees
Patten & Patten	19,614.64	6/30/2021	Investment management fees
Sustainable Insights	11,319.30	6/30/2021	Investment management fees
Wedge Capital	38,544.68	6/30/2021	Investment management fees
<b>MANAGER TOTAL</b>	<b>105,062.62</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year to date		\$550,047.00	FY2021
DTC Diversified Partners III	\$100,528.00	6/24/2021	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
GoldenTree Distressed Fund 2014	\$231,000.00	7/13/2021	distribution
<b>COMPANY TOTAL</b>	<b>331,528.00</b>	<b>\$550,047.00</b>	

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year		200,000.00	FY2021	capital call
sell Fidelity Large Cap Growth Index Fund		-1,000,000	7/27/2021	transaction to be approved
deposit to cash for benefit payment		1,000,000	2/18/2021	transaction to be approved
<b>MISCELLANEOUS TOTAL</b>	<b>0.00</b>	<b>0.00</b>		

**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	MONTH	PURPOSE
Prior Fiscal Year		135,053.61		FY2020
<i>Budget</i>		<i>135,000.00</i>		<i>FY2021</i>
Fiscal Year to date		136,294.03		FY2021
The Hartford	10,919.02		5/31/2021	Long Term Disability (50%)
The Hartford	10,789.89		6/30/2021	Long Term Disability (50%)
The Hartford				Long Term Disability (50%)
The Hartford				Long Term Disability (50%)
<b>TOTAL</b>	<b>21,708.91</b>	<b>136,294.03</b>		



**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

6/30/2021

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	12,484.87	6/30/2021	
Fiscal Year to date	55,163.06		FY2021
<i>Budget</i>	51,660.00		FY2020
Same quarter last year	11,497.59	6/30/2020	
Prior Fiscal Year	68,451.35		FY2020
Cavanaugh Macdonald	-	6/30/2021	OPEB valuation
Cavanaugh Macdonald	-	6/30/2021	OPEB GASB 74/75
CBIZ IAS	5,000.00	6/30/2021	Investment consulting services
First Horizon Bank	7,484.87	6/30/2021	Administrative Expense
<b>COMPANY TOTAL</b>	<b>12,484.87</b>		

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

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

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			
<b>COMPANY TOTAL</b>			

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year to date	80,000.00	FY2021	capital calls
Fiscal year to date	100,000.00	FY2022	capital calls
GoldenTree Distressed Co-Investment Fund III	100,000.00	7/26/2021	capital call
<b>MISCELLANEOUS TOTAL</b>	<b>100,000.00</b>		

APPROVED:

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Secretary