

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

February 16, 2017

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 16, 2017 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Aon Miller, Katie Reinsmidt, Stacy Richardson, Erskine Oglesby and Steve Perry. Others attending the meeting were Valerie Malueg, City Attorney's Office; Scott Arnwine, Gavion, LLC; Teresa Laney, First Tennessee Bank; 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 17, 2016 meeting. Katie Reinsmidt seconded the motion. The minutes of the November 17, 2016 meeting were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter. Certain transactions were highlighted for the board including the follow-up on the Helen McCuiston situation, the follow-up on the LTD discussion arising from the Steve West situation, the DTC distribution and Golden Tree capital call, and a class action claim for investments in Pfizer.

Katie Reinsmidt made a motion to approve the administrative actions. Aon Miller seconded the motion. The administrative actions were unanimously approved.

Election of Officers

Nominations were opened for the election of officers for the current year. Daisy Madison was nominated to serve as Chair of the Board and she accepted the nomination. Erskine Oglesby was nominated to serve as Vice Chair for the Board and accepted the nomination. Aon Miller was nominated to serve as Secretary of the Board and accepted the nomination. The nominations were closed. Daisy Madison called for a vote.

Steve Perry made a motion to elect the following officers Chair Daisy Madison, Vice Chair Erskine Oglesby, and Secretary Aon Miller. Katie Reinsmidt seconded the motion. The officers were unanimously elected to serve for the next year.

Review of Pension Funding Policy

Cheryl Powell distributed the latest version of the Funding Policy to the members and provided additional copies at the meeting. The GPP policy was passed in 2015. Currently the policy complies with the state statute and follows the format established by the state. There was some discussion concerning the thresholds in the policy before the state takes any action. Valerie Malueg was not aware of any changes that had been made to the statute that would affect the policy. No changes to the GPP funding policy were offered.

Performance Review Fourth Quarter 2016 – Gavion

Scott Arnwine began by stating that the investment performance books did not include updates from all of the partnership type managers prior to publication. He reported that two distributions had been received from TerraCap that are not reflected in the results. He indicated that the end of year actual results should be higher.

The year just ending was a year of much volatility including early volatility in energy and China, the Brexit vote, the US Presidential election and swings in the S&P. Managers had difficult time hitting their benchmarks. Scott indicated that all of our equity managers are different by design. Throughout the year, managers did act according to their stated investment philosophy. Following our investment policy, if a manager underperforms over a particular period of time, the manager's performance is monitored to determine if they recover or act according to their stated methods. This coming year may result in certain managers being monitored more closely because the market may normalize enough to reveal a true result relative to benchmarks. In addition, expectations for other managers may change as the market stabilizes.

Reviewing page 2 of the GPP investment performance report, the portfolio of \$269M ends 4Q with a -0.1% return and a 5.1% return for the year. Relative to the actuarial assumptions, the trailing 5 year performance exceeds the actuarial assumption while the trailing three year falls short.

TerraCap, a small niche real estate manager, is posting good results in the year that we have been with them. In just over a year in the relationship, the GPP portfolio will receive distributions of roughly 20% of the paid in capital in the near future.

Factors that may impact results in the next year include tax reform in the US and the potential upside from active portfolio management relative to passive management. The board was asked if Gavion is doing the right thing in the portfolio structure given the amount paid for the results that we are getting. There was a request by the board to determine what we actually paid during 2016 for the investment managers, as a percent of the portfolio and, if possible, also include the amounts paid to First Tennessee. Scott thinks that a report of amounts paid to investment managers is obtainable. There was additional discussion about the level of returns in the portfolio vs. the benchmarks since inception of each manager. Before the last two years, the managers of the portfolio did outperform their benchmarks. The last two years have had much volatility.

A suggestion was made that we need a standard composite to measure against in addition to the Chattanooga index, which is a Gavion developed index. A standard composite might shed additional insight into the emergence of results. Performance higher than the index gives us the reason why we pay managers. For example, fixed income has reflected generally good performance relative to the index in use. The board anticipates we do perform better than the standard, but we should still include this measure on a regular basis.

Scott also stated that there is a need to re-evaluate Patten and Patten for continued fit in the portfolio and the performance of London Company. The portfolio is had decent return for the year with trailing 3 year below the actuarial assumption and the trailing 5 year result above the actuarial assumption. Among pension plans sized \$250M to \$1B in size, the GPP portfolio result is above the median for the 5 year result. The portfolio falls slightly below the median overall and below the median for the 1 year and 3 year measures.

There are no recommendations for making changes at this point. The change in the asset allocation agreed upon in 2016 has been fully implemented.

There was a discussion about the interest rate assumed for the OPEB valuation relative to the performance results. The actuarial assumption for OPEB is currently 7.5% but the question is whether that rate needs to be reduced in the future based on fund performance. The request was made to use the Chattanooga composite index for the OPEB fund in the presentation of investment performance.

Report from Counsel

There was nothing to report.

Other Business

The next Pension Board meeting is scheduled to occur on May 18, 2017. Scott Arnwine requested that the date be changed to May 25, 2017 if possible, since the board meeting would otherwise conflict with Gavion's annual conference the third weekend in May, to which everyone is invited to attend. None of the board members indicated a problem with changing the date. Cheryl Powell said she would contact the actuaries to make sure this change did not pose a problem for them and then take care of the necessary meeting room arrangements.

There being no other business, *Stacy Richardson made a motion to adjourn the meeting that was seconded by Katie Reinsmidt. The meeting was adjourned by Daisy Madison.*

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

Meeting of Trustees
February 16, 2017

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Baxter, Gretchen	Public Works	Rule of 80	no	\$1,639.70	2/1/2017		
Beasley, Charles	Public Works	Rule of 80	no	\$1,438.83	1/1/2017	\$54,785.83	
Berry, Billy Paul	Transportation	Normal	B	\$1,495.24	1/1/2017		
Blevins, Randy	Public Works	Rule of 80	no	\$1,791.39	1/1/2017	\$44,512.51	
Burnette, Tommy	Public Works	Normal	B	\$2,190.42	1/1/2017	\$32,182.40	
Condra, David	Public Works	Normal	D	\$2,112.30	1/1/2017	\$32,682.97	
Cooke, Pamela E	Police Services	Rule of 80	no	\$1,600.01	2/1/2017	\$64,063.52	
Craighead, Jo Ann	Police Services	Normal	no	\$367.53	2/1/2017		
Edwards, Charles K	Transportation	Normal	C	\$373.12	2/1/2017		
Frazier, Carl	Public Works	Normal	B	\$540.10	2/1/2017		
Graham, Bennie L	Public Works	Rule of 80	B	\$1,427.04	1/1/2017	\$64,672.21	
Haley, Christopher	General Services	Normal	B	\$2,089.53	1/1/2017		
Hughes, Kimberly	Police Services	Rule of 80	no	\$1,442.61	1/1/2017	\$57,238.14	
Jamison, Donald	Police Services	Normal	no	\$993.40	3/1/2017		
McMillon, Janis	Human Services	Imm early	no	\$468.32	2/1/2017		
Rawlings, Jack	Public Works	Normal	no	\$1,414.91	1/1/2017		
Sands, Curtis	Human Services	Normal	B	\$379.38	1/1/2017		
Shepherd, Deborah	Public Works	Rule of 80	no	\$2,158.30	1/1/2017	\$86,833.62	
Smithingell, Keith	Public Works	Normal	no	\$436.19	1/1/2017		
White, David L	Public Works	Rule of 80	A	\$1,605.12	2/1/2017	\$20,701.87	

Count	20	\$25,963.44	\$457,673.07
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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
Jamileh Zurkiya	B	12/19/2016
Carl Frazier, Jr	B	1/3/2017

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			\$32,655.68	14	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Carroll, Michael	Police Services	77106	\$277.64	8/4/2016	
Cheung, Norman	Public Works	76701	\$590.76	11/3/2016	
Fillyaw, Donald	Airport	na	\$2,510.37	9/29/2016	vested
Lowry, Jennifer	Human Resources	62926	\$8,529.90	10/31/2014	vested
Miller, Kyle	Police Services	71091	\$2,715.66	8/19/2016	
Mitchell, Clint	Public Works	77364	\$118.20	8/9/2016	
Morgan, Pamela	Public Works	77867	\$9.43	8/25/2016	
Robinson, William T	Transportation	63010	\$4,363.27	11/23/2016	vested
Robkin, Gary	ECD	69646	\$2,732.35	11/2/2016	
Rogers, Deborah	Public Works	75953	\$592.44	8/25/2016	
Atha, Jeanette	Human Resources	62744	\$2,884.66	11/9/2016	vested
Wells, Katherine	Mayor office	73267	\$1,720.53	11/30/2016	
Wilkinson, Nicholas	ECD	72555	\$5,285.31	12/21/2016	
Wakefield, Taylor	Finance	77032	\$325.16	1/19/2017	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Gary R. Fox	Lillian Fox	11/20/2016	\$1,162.20	
Donna K. Mitchell	Charlotte Mitchell	11/30/2016	\$2,784.18	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		278,565.27		FY2016
Fiscal Year to Date		121,819.21		FY2017
Cavanaugh Macdonald				IRS determination letter
Cavanaugh Macdonald				GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald				GPP GASB 67 & 68
IRS				GPP determination letter fee
Miller & Martin				Legal services-GPP determination ltr
Chambliss, Bahner, & Stophel, PC				Review of Special tax notice
Chattanooga Times Free Press	42.30		9/30/2016	Meeting ad 5/19/2016
Gavion, LLC	25,000.00		12/31/2016	Investment consulting services
First Tennessee Bank	28,113.44		12/31/2016	Administrative expense
City of Chattanooga Human Resources				Administrative expense
COMPANY TOTAL	53,155.74	121,819.21		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		523,428.32		FY2016
Fiscal Year to date		197,181.44		FY2017
Chartwell	7,720.20		12/31/2016	Investment management fees
Herndon	14,465.65		12/31/2016	Investment management fees
Insight	14,529.74		12/31/2016	Investment management fees
Kennedy Capital Management	13,297.00		12/31/2016	Investment management fees
Patten & Patten	11,141.13		12/31/2016	Investment management fees
The London Company	11,880.00		12/31/2016	Investment management fees
Wedge Capital	28,149.37		12/31/2016	Investment management fees
MANAGER TOTAL	101,183.09	197,181.44		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$96,019.27	FY2016
Prior quarter total		\$75,000.00	FY2017
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$100,000.00		distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement

COMPANY TOTAL	100,000.00	175,000.00
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REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		10,618,000.00		FY2016
Fiscal Year to Date		24,800,000.00		FY2017
iShares Russell 1000 Growth Fund	400,000		12/15/2016	to pay benefits
iShares Russell 1000 Growth Fund	932,000		1/17/2017	to pay benefits
iShares Russell 1000 Growth Fund	600,000		2/15/2017	to pay benefits
iShares Russell 1000 Growth Fund	168,000		1/17/2017	Greenspring capital call (1/25)

MISCELLANEOUS TOTAL	2,100,000.00	24,800,000.00
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REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to date		137,530.86		FY2016
Fiscal Year to date		58,781.28		FY2017
VOYA	11,776.45		11/1/2016	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)
VOYA				Long Term Disability (50%)

TOTAL	11,776.45	58,781.28
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**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		46,345.33		FY2016
Fiscal Year to Date		32,499.17		FY2017
Cavanaugh Macdonald				OPEB valuation
Cavanaugh Macdonald	8,596.00		12/31/2016	OPEB GASB 74
Gavion, LLC	5,000.00		12/31/2016	Investment consulting services
First Tennessee	3,698.65		12/31/2016	Administrative Expense
COMPANY TOTAL	17,294.65	\$32,499.17		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		55,341.51		FY2016
Fiscal Year to Date		12,918.44		FY2017
Herndon	14,127.11		12/31/2016	Investment management fees
MANAGER TOTAL	14,127.11	12,918.44		

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