

## MEETING OF THE TRUSTEES

### CITY OF CHATTANOOGA GENERAL PENSION PLAN

February 21, 2019

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 21, 2019 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Carl Levi and Aon Miller. Others in attendance at the meeting were Scott Arnwine, Gavion, LLC; Jed Cooper, First Tennessee Bank; Ed Koebel and Jennifer Johnson, Cavanaugh Macdonald Consulting, LLC; Tanikia Jackson, City Finance Department; 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 was not present at the beginning of the meeting.

#### Approval of Minutes

*Carl Levi made a motion to approve the minutes as read from both the August 16, 2018 and the November 15, 2018 meetings. Katie Reinsmidt seconded the motion. The minutes from both meetings were approved.*

#### Administrative Actions

Cheryl Powell presented the Administrative Actions for both the August and November reporting periods as well as the current period.

For the prior periods, the transactions needing ratification include:

- The plan received a distribution of \$75,000 in June and \$225,000 in September from DTC Diversified Partners III.
- In both August and October, there were requests to liquidate \$1 million of assets to pay benefits. The source of the funds in August was OFI GTC International Growth fund and the source for November was the iShares Russell 1000 Growth fund.
- In November there was a capital call for the GoldenTree Distressed Fund of \$168,000.
- iNetworks capital call for OPEB in October.

These four transaction types need to be ratified by the board.

*Carl Levi made a motion to approve administrative actions for August, November and February. Aon Miller seconded the motion. The administrative actions were approved as presented.*

Cheryl Powell provided follow-up on the amendments to the State of TN PC 990 as Valerie found the text of the amendments in House Bill 2222 and the amendment was distributed. There was also a brief discussion about the Ethics documents that Board members were asked to sign several years ago. A copy of the pertinent documents was included in the packets. Since Valerie is not present, any further discussion will wait for her return.

The board decided to schedule the next meeting on May 23 due to calendar conflicts for Gavion.

Ed Koebel did comment on the funding policy amendment. To comply with the new funding policy, the measurement standard is based on GASB which requires use of market values and does not include smoothing of assets. He will have to become more familiar with the amendment and ensure that the GASB report provided to the City contains all of the required reporting information.

over 3, 10 and 20 year time horizons and considering the move toward more conservative assumptions, the investment return assumption will hold steady at 4.25 %. When coupled with the inflation assumption of 2.50%, the recommendation is that the investment return assumption be set at 6.75%, a reduction from the current 7.00%.

- For the plan administrative expense assumption, the recommendation is to increase the assumption from 0.42% of payroll to 0.50% of payroll.

The financial impact of the recommended changes to valuation assumptions was produced relative to the plan valuation for 12/31/2017. The result would have been an increase in the unfunded liability of \$5.2M with a contribution rate of 21.69% (compared to the actual rate of 20.50%). This translates into \$700k in increased contributions to the plan over the amount for the current plan year. The actual impact will be first applied based on the 12/31/2018 valuation.

***Carl Levi made a motion to accept the recommendations for demographic assumptions, actuarial methods and economic assumptions as outlined in the presentation. Katie Reinsmidt seconded the motion. The assumptions changes were accepted by the board.***

### **Review of Funding Policy**

The board felt that this discussion was incorporated into the Experience Study results discussion so no further review is needed at this time.

### **Investment Performance Review 4Q 2018 – Gavion**

Scott Arnwine provided the overview for the quarter. The fourth quarter results were brutal across all categories of investments. The GPP results were down 7.8% for the quarter and down 4.9% for the year before reflecting the results from the partnerships. The OPEB results were down 9.0% for the quarter and down 4.8% for the year. The main drivers of the market decline were the trade wars with China and concern about Federal Reserve policy. Managers performed with mixed results against their benchmarks in the quarter. There were no violations relative to investment policy or diversification in either fund. Only the Intercontinental US REIF and Johnson Institutional Core Bond Fund had positive results in the GPP and OPEB portfolios.

The good news is that the results for the month of January indicate a reversal with the GPP results up 4.8% for the month and the OPEB results up 5.3% for the month.

One of the categories of investment where Gavion proposes that the Board make additional investment is distressed debt. The two managers presented are Courage and GoldenTree. Both have been interviewed previously and the portfolio currently includes a GoldenTree distressed debt fund. Courage is a smaller company that focuses on North American only and mid-sized companies. GoldenTree is larger and will invest in both public and private companies in Europe as well as the US. The Board could decide to interview companies again or could decide today. The funds are only open for a short period of time. Scott recommends an investment of \$3 to \$4 million in distressed debt. There was a brief discussion about the two companies and the terms of their contracts.

***Carl Levi made a motion to invest \$4 million of the GPP portfolio with GoldenTree Asset Management, LP. Katie Reinsmidt seconded the motion. The motion carried.***

For the OPEB fund, since it is over 10% of the portfolio and there is room to invest in alternatives, Scott recommended adding \$1 million to Pointer from cash.

***Aon Miller made a motion to move \$1 million from cash to Pointer. Carl Levi seconded the motion. The motion carried.***

Scott also invited the trustees to attend the Gavion educational event May 15-16.

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

**Meeting of Trustees  
February 21, 2019**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Boyd, Charles	ECD	normal	D	\$2,390.22	1/1/2019		
Brown, Buddy L	Public Works	Rule of 80	B	\$1,613.17	1/1/2019	\$48,434.59	
Cabrera, Robin	Finance	Rule of 80	D	\$1,624.78	1/1/2019		
Dodd, Patricia	RPA	normal	B	\$1,555.80	3/1/2019	\$75,699.47	
Folsom, Mark	Public Works	normal	B	\$1,467.47	12/1/2018		
Hawkins, Dillard N	YFD	Rule of 80	no	\$1,763.91	2/1/2019	\$71,258.77	
Hawkins, Richard G	Public Works	normal	A	\$199.25	1/1/2019		
Haynes, Michael E	Police Services	normal	B	\$399.01	1/1/2019		
Henson, Gregory K	Public Works	Rule of 80	D	\$1,204.10	2/1/2019	\$57,708.05	vested LTD
Hillard, Julie	Landscape	Imm Early	E	\$892.25	2/1/2019		vested
Hull, Billy	Public Works	Rule of 80	C	\$1,115.11	12/1/2018		
Iles, John K	Public Works	Imm Early	B	\$682.36	2/1/2019		vested
Jarrett, Cordelia	County 911	Rule of 80	A	\$1,489.54	1/1/2019	\$56,249.85	
Lott, Gilbert	Public Works	normal	A	\$1,132.38	1/1/2019		
Metcalf, Nathaniel	ECD	Rule of 80	B	\$1,235.03	1/1/2019	\$53,507.73	
Norman, Willie C	Public Works	normal	no	\$429.32	1/1/2019		
Robinson, Herana	Public Works	normal	A	\$906.97	2/1/2019		
Stanford, Kay	Finance	normal	B	\$987.39	1/1/2019		
Stevenson, Angelia	Public Works	Rule of 80	A	\$1,420.82	1/1/2019	\$57,759.49	
Taylor, Ernest Roger	ECD	normal	B	\$1,309.67	1/1/2019		
Thomas, Ivan	General Services	Rule of 80	C	\$2,009.10	2/1/2019		
Thomas, Satann	Human Services	normal	no	\$1,577.75	1/1/2019	\$62,887.26	
Williams, Toni A	YFD	normal	no	\$1,236.10	1/1/2019		
Williamson, Roger T	Recreation	Imm Early	D	\$220.79	12/1/2018		vested
Count		21		\$28,862.29		\$483,505.21	

**DEATH BENEFITS - DECEASED ACTIVE OR VESTED EMPLOYEES**

Name	Employee	Date of death	Type	Monthly Amount	Effective Date	Notes
Jennifer Myers	Steven Myers	12/15/2018	120 months Certain	\$446.52	1/1/2019	
Allan D. Jones	Mechell Jones	12/31/2018	B - survivor	\$838.12	1/1/2019	vested LTD
Armelia Williams	Lebron Dumas	1/31/2019	27 months Certain	\$1,464.46	2/1/2019	

**BENEFIT REVISIONS/CONVERSIONS - PENDING BOARD REVIEW/APPROVAL**

NAME	TYPE	Option	Previous amount approved	Revised amount	Effective date
------	------	--------	--------------------------	----------------	----------------

**SELECTION OF OPTIONAL BENEFIT REPORT - VESTED OR ATTAINED AGE 62 OR GREATER**

NAME	OPTION	Effective Date
Vincent White, Sr	A	1/14/2019
Monica Watson	A	1/15/2019

**DISABILITY BENEFIT REPORT**

NAME	TYPE	Employee Number	Insurance Benefit Amount	Effective Date	Notes
William D. Trotter	not job related	67762		12/26/2018	vested

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

Return of contributions			\$50,838.23	24	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Brandon, Jerry	Airport	na	\$2,542.46	10/1/2018	
Clark, Maureen	General Services	77491	\$2,018.59	8/16/2018	
Cleveland, Maggie	Human Services	80000	\$531.81	8/2/2018	
Combs, Jimmy A	Public Works	60296	\$378.98	12/27/2018	
Davis, Jessica L	Human Services	78485	\$986.27	9/28/2018	
Foster, Darren	Public Works	81893	\$2.13	8/16/2018	
Gaddis, Andrew	Public Works	81934	\$13.47	8/9/2018	
Gann, Christopher	Public Works	82077	\$7.65	9/5/2018	
Houston, Dominique	Human Services	79975	\$463.17	8/31/2018	
Jackson, Kera	City Council	79840	\$444.09	8/3/2018	
Jetton, Andrew	Public Works	78549	\$1,003.18	11/29/2018	
Kyle, Ana	Fire services	81247	\$149.01	8/17/2018	
Latham, William B.	Public Works	80519	\$358.69	9/25/2018	
Lee, Theresa	Finance	78048	\$3,333.85	9/13/2018	
Legere, Jonathan	Public Works	80795	\$469.46	10/12/2018	
Marshall, Jerry	Public Works	63111	\$924.74	8/14/2018	
Miller, Muriel E (Wyn)	Public Works	71182	\$3,287.27	8/10/2018	
Pickett, James	Public Works	78192	\$1,200.22	8/2/2018	
Ray, Andrew	RPA	76777	\$3,004.18	9/27/2018	
Rogers, James A	Fire services	77787	1217.53	8/23/2018	
Runyan, Stacy	Public Works	81308	\$151.76	8/17/2018	
Sands, Treva A	Family Justice Center	79938	\$784.31	10/4/2018	
Timon, Mark	Genral Government	43987	\$24,375.69	12/28/2018	vested employee
Wright, Richard	Airport	na	\$3,189.72	7/27/2018	

**Return of deceased retiree basis**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Donnie Smith	C G Smith	10/26/2018	\$3,187.15	Spouse death unreported; Option E differential paid to bf
Carolyn Birdsong	Willie A. Birdsong	12/3/2018	\$772.45	

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year		291,139.82		FY2018
Fiscal Year to Date		103,973.90		FY2019
Cavanaugh Macdonald				GPP valuation
Cavanaugh Macdonald	7,999.50		9/30/2018	GPP GASB 67 & 68
Cavanaugh Macdonald	7,032.50		10/31/2018	Experience Study
Cavanaugh Macdonald	1,305.00		11/30/2018	Experience Study
Miller & Martin				
The Chattanooga	3,414.70		1/17/2019	GPP Education Event
Alex Brown	626.68		1/25/2019	speaker reimbursement
Chattanooga Times Free Press				Meeting ad
Gavion, LLC	25,000.00		12/31/2018	Investment consulting services
First Tennessee Bank	29,507.45		9/30/2018	Administrative expense
City of Chattanooga Human Resources	0.00			Administrative expense annual
<b>COMPANY TOTAL</b>	<b>74,885.83</b>	<b>103,973.90</b>		

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

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year		386,058.03		FY2018
Fiscal Year to date		178,213.28		FY2019
Chartwell	8,045.32		12/31/2018	Investment management fees
Kennedy Capital Management	30,250.00		12/31/2018	Investment management fees
Patten & Patten	11,907.45		12/31/2018	Investment management fees
Sustainable Insights	7,146.41		12/31/2018	Investment management fees
Wedge Capital	31,665.26		9/30/2018	Investment management fees
Wedge Capital	24,492.88		12/31/2018	Investment management fees
<b>MANAGER TOTAL</b>	<b>113,507.32</b>	<b>178,213.28</b>		

**ACCOUNTS RECEIVABLE**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$388,867.30	FY2018
Fiscal Year to date		\$434,823.00	FY2019
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$200,000.00	12/7/2018	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
General fund reimburse for payment to CMC			<i>Plan Options request</i>
<b>COMPANY TOTAL</b>	<b>200,000.00</b>	<b>\$434,823.00</b>	

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year		7,368,000.00		FY2018
Fiscal Year to Date		4,246,000.00		FY2019
iShares Russell 1000 Value				
OFI GTC Intl Growth				
Johnson Institutional Core Bond Fund	600,000		11/20/2018	to pay benefits
Johnson Institutional Core Bond Fund	700,000		12/17/2018	to pay benefits
GoldenTree Distressed Fund	378,000		12/6/2018	capital call
iShares Russell 1000 Growth	400,000		2/19/2019	to pay benefits
<b>MISCELLANEOUS TOTAL</b>	<b>2,078,000.00</b>	<b>2,078,000.00</b>		

**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year		144,094.66		FY2018
Fiscal Year to date		74,471.83		FY2019
The Hartford	10,605.88		10/31/2018	Long Term Disability (50%)
The Hartford	10,657.39		11/30/2018	Long Term Disability (50%)
The Hartford	10,693.21		12/31/2018	Long Term Disability (50%)
The Hartford	10,583.09		1/31/2019	Long Term Disability (50%)
The Hartford				Long Term Disability (50%)
<b>TOTAL</b>	<b>42,539.57</b>	<b>74,471.83</b>		

**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year		61,333.02		FY2018
Fiscal Year to Date		16,748.18		FY2019
Cavanaugh Macdonald				OPEB valuation
Cavanaugh Macdonald	1,386.00		9/30/2018	OPEB GASB 74/75
Gavion, LLC	5,000.00		12/31/2018	Investment consulting services
First Tennessee	4,966.18		9/30/2018	Administrative Expense
<b>COMPANY TOTAL</b>	<b>11,352.18</b>	<b>\$16,748.18</b>		

*Investment Managers -- Fees Paid*

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year		21,518.31		FY2018
Fiscal Year to Date		-		FY2019
<b>MANAGER TOTAL</b>	<b>-</b>	<b>-</b>		

**ACCOUNTS RECEIVABLE**


COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Prior quarter total				
<b>COMPANY TOTAL</b>		<b>0.00</b>		

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year		8,441,362.90		FY2018
Fiscal year to date		130,337.06		FY2019
iNetworks	99,009.90		12/7/2018	capital call board action
<b>MISCELLANEOUS TOTAL</b>	<b>99,009.90</b>	<b>130,337.06</b>		

APPROVED:

  
\_\_\_\_\_  
Chairman

  
\_\_\_\_\_  
Secretary