

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 16, 2017

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 16, 2017 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Carl Levi and Jeffrey Wilson. Others in attendance at the meeting were Teresa Laney, First Tennessee Bank; Valerie Malueg, City Attorney's Office; Scott Arnwine, Gavion, LLC; Anthony Lacenere and John Haynes, iNetworks Opportunity Fund, LP; Chris Crevasse, Miller and Martin; and Tina Camba, Tyna Hector, Mike Anthony 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

Carl Levi made a motion to approve the minutes of the August 17, 2017 meeting and the October 30, 2017 called meeting. Jeffrey Wilson seconded the motion. The minutes of the August 17, 2017 and October 30, 2017 meetings were unanimously approved.

Administrative Actions

Cheryl Powell presented the Administrative actions for the previous quarter. Transactions for the terminations of Herndon, The London Company and Insight and the capital calls were highlighted for the board on page 4 for GPP and page 5 for OPEB. These occurred at the end of October. Delta Venture submitted a check for \$175,000 that was deposited to GPP. The 2018 Social Security cost of living adjustment was noted. A GPP profile sheet giving various statistics about the demographics and payments in the GPP was distributed.

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

An item of particular importance to the First Tennessee Bank was discussed. In order to fulfill their audit requirements, a revision was made to the Certificate of Incumbency to designate the authorized representatives for signing off on pension plan transactions. The main purpose is to outline those Board members in office who have authority to act on behalf of the Trust for financial transactions involving the Trust. These persons have the authority to execute documents to legally bind the obligations of the Trust. Paragraph 4 was added to the certificate to provide the names of those who may authorize disbursements for operations (including such things as paying bills, refunding contributions, adding retirees) on behalf of the Trust. The board discussion pertained to placing a limitation on the disbursement instructions of the certified names listed on the certificate. The decision was made to amend the language in paragraph 4 to state "those authorized to give disbursement instructions for administrative actions as ratified in board meetings on behalf of the Trust". The name, position and signature of the authorized person will be included on the form.

Katie Reinsmidt made a motion to amend the Certificate of Incumbency for First Tennessee Bank by adding paragraph 4 stating "The following are certified names and specimen signatures of those authorized to give disbursement instructions for administrative actions as ratified in board meetings on behalf of the Trust." Carl Levi seconded the motion. The motion was approved.

Cheryl Powell then presented the results of the Actuarial RFQ solicitation and review. Based on the information presented and any discussion, the board will make a choice of firms to retain for actuarial services.

- There were seven respondents to be scored by selected persons at the City.
- Five persons read the submitted RFQ's and scored the submissions based on the following criteria:
 - 25% - Experience of firm in providing actuarial services for public sector pension and OPEB plans
 - 20% - References from other public entities for which the firm has provided similar services for plans of similar size and scope
 - 20% - Professional competence, integrity, and qualifications of personnel
 - 20% - Clearly demonstrated understanding of the work to be performed along with completeness and reasonableness of the firm's plan for timely accomplishing the scope of services
 - 15% - Overall quality of responses
- The top two scored submissions were for Cavanaugh Macdonald Consulting (CMC) and Gabriel, Roeder and Smith (GRS), with a 94% and a 91% respectively, against the purchasing scoring criteria. All other submissions scored less than 90%.
- The summary, provided in the board packets attached to these minutes, gives details for the top two scored submissions. The timelines submitted by the two firms are also included.
- There is very little difference between the two firms and both firms were interviewed five years ago in the last selection process. The submissions are available at this meeting to be reviewed if necessary.
- We do not have a prior relationship with GRS so a survey of six questions was sent to two references from each of the two firms. The survey questions are:
 1. What is your relationship with the vendor?
 2. In what ways do you interact with the vendor? (include all pertinent methods)
 3. Please provide a list of the services the vendor performs for your firm.
 4. Describe a situation where the vendor did not meet your expectations and how the vendor responded.
 5. If the vendor asked you how they could improve their service, how would you respond?
 6. Would you hire this vendor again?

The survey was sent on November 6. The two CMC references responded on the same day. The GRS references had not responded by the time of this meeting.

Based on the information presented, the board must make a choice of firms to retain for actuarial services.

Daisy Madison pointed out the one difference on the summary comparison pertaining to the number of lawsuits disclosed by the GRS firm, even though the lawsuits were voluntarily dismissed. Carl Levi posed the question of whether the board has any reason to change firms. After several minutes of discussion, the board did not see anything in the information that would compel them to change service firms. The only other information would be pricing data and the Purchasing Department does not allow pricing data to be returned with the RFQ submission.

The board will make a qualitative selection of the firm subject to negotiation of fees for the contract. Carl Levi originally made a motion to retain Cavanaugh Macdonald Consulting that was passed but then rescinded due to the need to negotiate the contract terms regarding pricing.

Carl Levi made a motion to accept the proposal of Cavanaugh Macdonald Consulting, LLC for actuarial services subject to successful contract negotiations. Katie Reinsmidt seconded the motion. The motion was approved.

Private Debt Manager Presentation for OPEB Trust

Last year the asset allocation study, the board approved a 5% allocation for private equity for OPEB. Scott Arnwine introduced iNetworks representatives Anthony Lacenere, Senior Managing Director, and John Haynes, Senior Investment Manager, to present information about the iNetworks Opportunity Fund, LP as a private equity investment for the OPEB Trust. A handout was provided to board members and attendees. iNetworks is

a venture capital fund located in Pennsylvania with primary focus on markets in Productivity IT, Healthcare, Security and Life Sciences (non-drug discovery) sectors. Funds are collected from limited partners to invest in entrepreneurs in the markets of interest. The firm has been in business for more than 20 years and invests primarily in initiatives related to women's health. The firm states three major goals/criteria in the selection of each investment: improve efficiency, reduce costs, and participate in the global market. The iNetworks goal is to invest in early- and late-stage companies whose product or service fits the 'compressed' J curve to shorten the cycle and to invest in targeted opportunities where proof of concept is close to commercialization.

The minimum commitment is \$1 million with a fund size of \$100 million. The firm has commitments for 70-80% of the fund. The term is 7 years from closing. Preferred returns are 8% annually. Management fee is 2% of committed capital, reduced annually by 10% commencing 5th anniversary of initial closing. When an investment is sold, the investor receives back the capital invested, share of profits, 8% preferred return and return of fees. The targeted IRR is 20% net to investors. The write-up at the end of the year is expected to be positive.

The fund was created in 1997 and has directed special funds and managed accounts in excess of \$2.5 billion. The fund delivered unrealized gains of 20.7% before fees and 11.7% net of fees in 2016. From inception to close in 2016, the overall performance gain has been 39.0% before fees and expenses and 21.7% after fees and expenses.

The firm does not invest in large markets but does focus on important issues that improve the quality of life or provide a solution. The presenters provided examples of current products of the seven companies in the portfolio. The product highlighted from UNEQUAL to improve safety on the sports field has received FDA approval. The product from Novian Health for the minimally invasive treatment of breast tumors has had FDA trial success superior to surgery.

Scott recommends that \$2 million of OPEB assets be invested in iNetworks. Gavion will continue to search for additional private equity investment opportunities.

Carl Levi made the motion to invest \$2 million of OPEB Trust funds in iNetworks. Jeffrey Wilson seconded the motion. The motion was approved.

Report from Counsel

Valerie introduced Chris Crevasse, Miller and Martin, to address the board concerning the IRS determination Letter and the language that needs to be added to the GPP to satisfy the requirements of the IRS for a favorable determination letter. He provided a draft of the ordinance language that includes the required provisions identified by the IRS. While these provisions have not been in the plan, the plan has been operating in compliance of these provisions. He also indicated that a second section pertaining to Qualified Domestic Relations Orders (QDROs) needs to be added to satisfy a 2015 change to the law of the State of Tennessee. Chris stepped through the various provisions and why they need to be added to the GPP.

The question arose as to how to ensure that future amendments are made when necessary and within the time frames outlined by the IRS or the State of Tennessee. How is the information about changes in the law communicated to the board? Chris Crevasse is willing to act on an advisory basis to keep the City Attorney's office informed about changes that would affect the GPP. Valerie Malueg does have conversations with representatives of other plans and is in process to become part of professional organizations to receive information routinely about changes in the law.

Additionally, some amendments may have a financial impact and those amendments need to be reviewed by actuarial analysis in order to establish cost implications to the GPP.

- Cavanaugh Macdonald will be asked to provide an actuarial analysis of this block of amendments for any cost implications to the GPP.

- Once the actuarial analysis has been completed, the required changes will be brought before the board for approval at the February meeting.
- Once the board recommends changes to the plan, the GPP amendments will be presented to City Council for approval.

Valerie followed up on the issue concerning the potential of the City to rehire a former Fire and Police Pension plan (CFPPF) participant who is a disabled retiree at a young age. The definition of “employee” in the GPP was read. The excerpt from the General Pension Plan Sec. 2-303(6) is the following:

“Employee shall mean any person regularly employed by the City and paid on an hourly basis or on a weekly, semimonthly or monthly salary (but not including temporary or seasonal employees or persons rendering a service under a contract) whether employed on a full-time or a part-time basis. However, the term "employee" shall not include (i) any person employed by the City in the Department of Fire or Police who is eligible for or is participating in the [Firemen's and Policemen's Insurance and Pension Fund, created by Chapter 165 of the 1949 Private Acts], as amended in § 2-400, et seq. hereof, (ii) any person who is eligible for or who is participating in the Tennessee Teachers Retirement System, as contained in Section 49-1501, et seq. [repealed], of Tennessee Code Annotated, or (iii) any Active Retired Participant as herein defined in subsection (24). In all cases of doubt, the Board of Trustees shall determine whether or not a person is an employee as herein defined.”

It is Valerie’s opinion that this language gives the City and the Board sufficient information to determine who is eligible to participate in the GPP if or when the hire of former Fire or Police employees are made. No further amendment to the GPP is necessary.

Statement of Investment Objectives review

Cheryl Powell provided copies of the most recent version of the Statement of Investment Objectives document, including updates to the Appendices for the allocation changes for OPEB approved at the August board meeting, for the annual review by the trustees. No other issues or changes were discussed. Signatures of the board members present were obtained. Cheryl will obtain the remaining signatures and file the document as soon as feasible.

Jeffrey Wilson made the motion to approve the changes to the Statement of Investment Objectives document. Katie Reinsmidt seconded the motion. The motion was approved.

Performance Review Third Quarter 2017 – Gavion

Due to the length of the meeting, Scott provided a brief summary of the results for third quarter. The results were good for the quarter and YTD for both GPP and OPEB funds. Both were up more than 3% for the quarter and 11% for the year. The month of October 2017 was the 12th straight positive month for the S&P 500.

The next board meeting is scheduled for February 15, 2018.

There being no other business, the meeting was adjourned by Daisy Madison.

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

**Meeting of Trustees
November 16, 2017**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Busby, Curtis S	Transportation	normal	no	\$881.36	11/1/2017		
Howard, William N	Public Works	normal	E	\$1,180.21	9/1/2017	\$16,944.68	
Seiler, Beatriz	General Government	Imm Early	certain only	\$352.70	9/1/2017		BF of Robert Seiler vested commencing benefits
Gilbert, Jeffrey	Traffic	Imm Early	no	\$542.73	12/1/2017		

Count	4	\$2,957.00	\$16,944.68
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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	Effective Date	Notes
			Benefit Amount		
Anita Ware	not job related	61839		9/16/2017	
Juan Toney	not job related	32633		6/5/2017	

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)

Return of contributions		\$45,490.64		21	
NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Albright, Julie	Police services	70936	\$803.76	6/15/2017	
Brady, Randy	Public Works	35813	\$6,967.17	9/30/2016	vested
Bullock, Joseph	ECD	72654	\$2,519.99	5/2/2017	
Cunningham, Tanya	YFD	61705	\$6,891.85	7/14/2017	
Davis, Tammu	Human services	79095	\$42.11	5/17/2017	
Ellis, Bryan	Human services	63310	\$2,804.17	5/12/2017	
Graham, Derek	Library	78188	\$434.15	8/10/2017	
Harris, Auriele	Human services	76579	\$984.75	7/27/2017	
Jackson, Harold Jr	Public Works	78574	\$169.49	7/3/2017	
Jones, Casey A	Airport	na	\$1,374.61	8/23/2017	
King, Dexter	Public Works	78233	\$375.64	9/25/2017	
Kuyrkendall, Bertran	Transportation	71851	\$6,779.89	6/29/2017	
McClendon, Timothy	Public Works	78700	\$177.48	6/14/2017	
Newton, Lacie	Mayor Office	71093	\$5,991.52	6/30/2017	
Parks, Victor L	Public Works	79257	\$67.53	6/16/2017	
Price, Joshua	Public Works	76315	\$1,081.48	6/8/2017	employee transferred to Police Dept.
Rogers, James R	Public Works	73928	\$2,307.64	7/18/2017	
Smith, Mary	YFD	76703	\$937.41	8/4/2017	
Snodgrass, William H	Public Works	73107	\$672.52	4/28/2017	
Wasson, Laura	Transportation	75507	\$2,218.89	6/22/2017	
Willyerd, Sean	Public Works	72502	\$1,888.59	9/25/2017	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Robert L. Quinn	Katherine Quinn	10/13/2017	\$487.39	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		305,730.15		FY2017
Fiscal Year to Date		77,198.72		FY2018
Cavanaugh Macdonald				IRS determination letter
Cavanaugh Macdonald				GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald	8,509.00		8/31/2017	GPP GASB 67 & 68
Miller & Martin	4,243.20		9/30/2017	Legal services-GPP determination ltr
Miller & Martin				Legal services-GPP determination ltr
Chattanooga Times Free Press	38.07		8/31/2017	Meeting ad 8/10/2017
Chattanooga Times Free Press	90.86		10/31/2017	Meeting ad 10/25/2017
Gavion, LLC	25,000.00		9/31/2017	Investment consulting services
First Tennessee Bank	34,004.19		9/31/2017	Administrative expense
City of Chattanooga Human Resources	0.00			Administrative expense annual
COMPANY TOTAL	71,885.32	71,885.32		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Fiscal Year to date		409,966.25		FY2017
Fiscal Year to date		120,928.11		FY2018
Chartwell	7,986.57		9/30/2017	Investment management fees
Herndon	16,469.57		9/30/2017	Investment management fees
Insight	17,493.23		9/30/2017	Investment management fees
Kennedy Capital Management	17,815.00		9/30/2017	Investment management fees
Patten & Patten	11,982.74		9/30/2017	Investment management fees
The London Company	6,572.00		9/30/2017	Investment management fees
Wedge Capital	31,730.84		9/30/2017	Investment management fees
Herndon	5,553.71		10/31/2017	Investment management fees
Insight	5,324.45		10/31/2017	Investment management fees
MANAGER TOTAL	120,928.11	120,928.11		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year		\$325,000.00	FY2017
Prior quarter total		\$0.00	FY2018
Delta Venture Partners II, LP			distribution
DTC Diversified Partners III	\$175,000.00	11/6/2017	distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
COMPANY TOTAL	175,000.00	175,000.00	

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		28,150,000.00		FY2017
Fiscal Year to Date		6,868,000.00		FY2018
The London Company liquidation	400,000		8/31/2017	to pay benefits
The London Company liquidation net London Company assets	1,000,000		8/31/2017	to cover benefits or expense needs transfer to Kennedy Capital GoldenTree capital call paid from liquidated funds
Insight capital	1,000,000		9/18/2017	above
Insight capital net Insight assets	3,000,000		10/23/2017	to pay benefits
Herndon liquidation			11/1/2017	to cover benefits or expense needs transfer to Kennedy Capital
iShares Russell 1000 index				termination purchase
MISCELLANEOUS TOTAL	5,400,000.00	5,400,000.00		

REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID		MONTH	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to date		142,453.66		FY2017
Fiscal Year to date		48,342.73		FY2018
VOYA	12,087.26		7/31/2017	Long Term Disability (50%)
VOYA	12,087.23		8/31/2017	Long Term Disability (50%)
VOYA	12,084.12		9/30/2017	Long Term Disability (50%)
VOYA	12,084.12		10/31/2017	Long Term Disability (50%)
VOYA				Long Term Disability (50%)
TOTAL	48,342.73	48,342.73		

**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		51,453.31		FY2017
Fiscal Year to Date		17,016.93		FY2018
Cavanaugh Macdonald				OPEB valuation
Cavanaugh Macdonald	7,449.00		9/30/2017	OPEB GASB 74
Gavion, LLC	5,000.00		9/31/2017	Investment consulting services
First Tennessee	4,567.93		9/31/2017	Administrative Expense
COMPANY TOTAL	17,016.93	\$17,016.93		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Fiscal Year to Date		43,461.59		FY2017
Fiscal Year to Date		21,518.31		FY2018
Herndon	16,091.45		9/30/2017	Investment management fees
Herndon	5,426.86		10/30/2017	Investment management fees
MANAGER TOTAL	21,518.31	21,518.31		


ACCOUNTS RECEIVABLE

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total				
COMPANY TOTAL		0.00		


REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal year to date				
Herndon liquidation				termination
iShares Russell 1000 index				purchase
MISCELLANEOUS TOTAL	0.00	0.00		

APPROVED:



Chairman



Secretary