

MEETING OF THE TRUSTEES
CITY OF CHATTANOOGA GENERAL PENSION PLAN

May 27, 2021

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on May 27, 2021 at 8:30 a.m. in the Mayor's conference room in City Hall. Trustees present were Daisy Madison, Aon Miller, Katie Reinsmidt, Brent Goldberg and Jeffrey Wilson. Others in attendance at the meeting were Scott Arnwine, CBIZ IAS, Inc.; Jed Cooper, First Horizon Bank; Phil Noblett, Office of the City Attorney; Ed Koebel and Jennifer Johnson, Cavanaugh Macdonald Consulting; and 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 Vice-Chair Aon Miller.
A quorum was present at the beginning of the meeting.

Approval of Minutes

Jeffrey Wilson made a motion to approve the minutes from the February 18, 2021 meeting. Katie Reinsmidt seconded the motion. The minutes were approved as written.

Administrative Actions

Cheryl Powell presented the Administrative Actions for the current period. The termination transactions are consistent with typical past activity. There were 18 retirements completed for the quarter and there was a death of an employee recorded where the beneficiary is receiving a 10 year certain annuity. Some death records were not yet processed for this report and will be shown on the next report. 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 recorded. She will correct that error for the final version of the report.

Katie Reinsmidt made a motion to approve administrative actions with the correction of the error in the report. Brent Goldberg seconded the motion. The administrative actions were approved.

Budget for FY2022 – Cheryl Powell

Cheryl presented the budget for the next fiscal year to the board. A copy of the budget report is included in each trustee packet. Changes to the budget for the next fiscal year includes the cost for the OPEB valuation and increased anticipated transaction fees for the bank for both GPP and OPEB. Actuarial consultant fees are being kept constant in this budget and LTD premium is anticipated to be less, but is being held constant in this budget. The cost of services from the City of Chattanooga is projected to have a slight increase over the current year.

Brent Goldberg made a motion to approve the budget. Jeffrey Wilson seconded the motion. The budget for the next fiscal year was approved.

Actuarial Valuation Presentation for General Pension Plan – Ed Koebel and Jennifer Johnson

Jennifer Johnson began the presentation with the following observations, some of these reflect the influence of the pandemic on results: active member count decreased by 6.5% to the lowest count observed in years at 1,365; active payroll decreased 6.0%; the active (those contributing) to retiree (those receiving payment) ratio decreased from 1.17 to 1.06; total annual benefit payments have increased from \$22.7 million to \$23.9 million; and the number of deferred vested participants had a net increase from 140 to 148 participants. Total plan liabilities at 1/1/2021 are \$442.2 million with \$258.7 million (or 58.5%) attributable to retirees. The investment

return for the calendar year was 13.9% on a market value basis and the plan grew a net \$34 million over the year. The return on the smoothed actuarial value of assets for the fiscal year was 8.5% compared to the assumed rate of return of 6.75%. The fund has sufficient assets to cover the liabilities for the current retirees. However, the plan cash flows, measured as contributions coming in versus benefit payments and expenses going out, were negative 2.9% of assets, an acceptable level given the overall investment return. Investment earnings provides the offset to the negative plan cash flows.

Ed Koebel presented the key results for the valuation. The Unfunded Actuarial Accrued Liability (UAAL) decreased from \$81.6 million to \$72.0 million and the Funded Ratio increased from 78.8% to 81.7%. The funded ratio increase is a result of continued adherence to the funding policy, the conservative lower assumptions that have been placed and the good fortune of market gains over the last two years. The fund continues to make progress toward the goal of being fully funded. The experience gains attributed to investment returns and to the salary increase assumption overwhelmed the losses due to retirements, withdrawals and mortality in 2020 leading to an overall actuarial experience gain. This gain will be amortized beginning 2021 for the closed 30 year amortization period. Of the \$442.2 million total plan liability, the current fund assets and future anticipated contributions combined provide \$370.3 million of funding leaving a total UAAL of \$72.0 million. This UAAL is amortized to be paid as a level dollar amount into the GPP over a blended closed 24 year period.

The Actuarially Determined Employer Contribution rate declined from 21.26% to 20.94%. The 20.94% represents the 11.20% employer normal cost rate and the 9.74% unfunded accrued liability rate. The 20.94% rate translates to an expected \$12.8 million in contributions to the fund.

Education Moment: Actuarial Valuation – incremental amortization - Ed Koebel

Ed discussed the funding policy, based on requirements set by the state, and how the closed amortization period, not to exceed 30 years is working for the fund. He presented several slides to demonstrate this effect. The transitional UAAL for 2015 was amortized over a closed period of 28 years beginning in the year the funding policy was adopted. The gains and losses experienced in each subsequent year will be amortized over a closed 30 year amortization period. For each year Ed provided the impact during that year relating to any changes of assumption or experience gains or losses. The amortization can be of either a positive (loss) or negative (gain) amount. Ed provided the history of the experience of the plan since 2015. The assumed interest rate was lowered three times since 2015 producing an actuarial loss each time while making the plan assumptions more conservative. In 2019, numerous changes to assumptions were made as a result of the experience study. He presented a graphical depiction of the amortization of the components transitional, assumption change and experience gains and losses to the end of the respective amortization periods. While there will be future incremental gains and losses, these currently being amortized will be paid off by 2046 (the blended closed 24 year period end).

Ed then presented the results of the 10-year projection assuming a 6.75% discount rate and the change in the active and retiree population based on the assumptions in the plan. Future contribution rates are projected to decline over the next 5 years and stabilize between 17-18% over the 5 years leading to 2030. The investment gains of 2020 improve the projected contribution percentage and funding ratio as the gains will be reflected over the next four valuations. At the same time, the funded ratio is projected to increase to near 90% over the next 5 years and stabilize between 91-92% over the five years leading to 2030.

Katie Reinsmidt made the motion to accept the Annual Required Contribution rate of 20.94% of payroll for FY2022. Jeffrey Wilson seconded the motion. The motion carried.

Investment Performance Review 1Q 2020 – CBIZ Investment Advisory Services

Scott Arnwine provided the overview of plan results for the quarter. Over the course of the past year and the current quarter, the plan stayed within the investment strategy and guidelines. In the post pandemic world, the rebound is still occurring with current housing concerns, unemployment and consumer sentiment affecting markets and suggesting inflation on the horizon. At the same time there are continuing supply chain problems affecting consumer prices, including fuel prices. ‘Reflation’ may be a better descriptor for getting back to the prior growth patterns than inflation. Within the markets, equities were positive and fixed income was negative. Value stocks outperformed growth stocks. On the global front, the strengthening US dollar created challenges in emerging markets. Fixed income returns were negative; however, US high yield bonds remained positive in the quarter. The yield curve became steeper during the quarter.

At the end of 1Q, the GPP fund is over \$354 million, up 2.1% for the quarter. Within that result, total equity was up by 5.8% with domestic equity up 8.4%, and fixed income was down 1.6%. Among equity managers, the value managers outperformed growth managers. The international manager underperformed the benchmark due their growth bias. For the portfolio, there may be a recommendation at a future meeting to add a second international manager with a value bias to balance the allocation. The private equity managers are delayed in reporting quarterly results; however, the IRR results from the two Greenspring funds and DTC will serve to improve the 1Q results. The hedge funds results were negative for the quarter and do reflect the impact of the GameStop shorting events at the beginning of the year. The two managers in Pointer that were impacted the most have improving results emerging in 2Q.

In the Real Estate sector, results were good, but there is the lingering question now pertaining to office real estate. Rents are currently persisting at high levels even though buildings may have empty office spaces.

Fixed income results were better than the benchmark even though there were negative returns. Medley and GoldenTree have contributed positive results bolstering the fixed income segment. This is the first quarter to include Eaton Vance in the allocation as a result of the reallocation out of floating rate and high yield managers..

Looking forward, the GPP results for April are improved over the 1Q reported results. The results for May are more volatile than those for April.

For the OPEB fund, the fund level is 105.9 million. The equity allocations have more indexed products and similar investment managers to the GPP. Total results were up 2.5% for the quarter with equities up 5.3% and fixed income down 2.9%. The hedge funds results mirrored those of the GPP.

The alternative investor iNetworks Opportunity Fund has requested a two year extension of the investment period in the agreement. CBIZ is in favor of making this change. An amendment needs to be signed for this transaction.

Jeffrey Wilson made the motion to approve extending the investment period for iNetworks Opportunity Fund for two years. Aon Miller seconded the motion. With no further discussion, the motion carried.

Scott also pointed to the graphs in the GPP and the OPEB reports on pages 6 and 5, respectively. These graphs depict the impact of contributions and investment income over the life of the fund. Investment income is now the dominant source of current funds in the GPP, a much older and more mature fund, while contributions made to the OPEB, a younger fund, are the dominant source. Investment gains are growing in the OPEB funds as the ability to invest in more diverse categories has occurred with fund growth. On page 8 of the GPP report and page 7 of the OPEB report, there are charts showing a comparison to funds of similar size. The GPP is compared to funds \$250 million to \$1 billion in size and ranks above the median generally across the periods. The OPEB is compared against funds \$50 million to \$250 million in size and ranks generally in the top quartile across the page.

Report from Counsel

Phil Noblett, an attorney in the City Attorney's office attended in Valerie Malueg's place. He had no report to make. He did make some comments in response to a question about requirements for trustees of the board.

Aon Miller made a motion to adjourn the meeting and Katie Reinsmidt seconded the motion.

Daisy Madison adjourned the meeting.

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

Meeting of Trustees
May 27, 2021

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Holley, Stuart	Public Works	Rule of 80	B	\$1,034.83	3/1/2021		
Moore, Diane	County 911	Rule of 80	no	\$1,712.16	3/1/2021		
Morgan, Marilyn	Human services	normal	A	\$204.46	3/1/2021		
Franklin, John	City Council	normal	no	\$509.66	4/1/2021		vested
Haustein, John	ECD	normal	no	\$892.38	4/1/2021		
Oates, Ulystea	Finance	Imm Early	A	\$603.01	4/1/2021		vested
Atkins, Robert	Airport	normal	D	\$2,539.32	5/1/2021	\$120,497.37	
Jennings, Lurone	YFD	normal	C	\$1,243.91	5/1/2021		
Mitchell, Gerald	City Council	normal	no	\$3,073.45	5/1/2021		
Mendenhall, Allen	Public Works	Imm Early	no	\$670.64	6/1/2021		
Mosley, Mary	County 911	Imm Early	D	\$1,152.23	6/1/2021		
Qualls, Janet	Finance-Court	normal	B	\$546.34	6/1/2021		
Reid, Timothy	General services	Rule of 80	B	\$1,051.18	6/1/2021	\$14,315.18	
Strong, Jermiah	Public Works	Rule of 80	C	\$1,248.09	6/1/2021		
Swafford, Ronald E	Finance-Court	normal	A	\$1,454.91	6/1/2021		
Wellmann, Edward	Public Works	normal	D	\$1,555.97	6/1/2021		
Bell, Randall	Police services	normal	A	\$1,934.50	6/1/2021		
Shuttles, Michael	Airport	normal			6/1/2021		
Count		18		\$21,427.04		\$134,812.55	

DEATH BENEFITS - DECEASED ACTIVE OR VESTED EMPLOYEES

Name	Employee	Type	Option	Date of Death	Amount or Monthly Amount	Effective Date	Notes
Jeremy Finch	Vickie Thompson	normal	certain onl	2/5/2021	\$614.27	3/1/2021	
Joseph Finch	Vickie Thompson	normal	certain onl	2/5/2021	\$614.27	3/1/2021	
Andre Finch	Vickie Thompson	normal	certain onl	2/5/2021	\$614.27	3/1/2021	

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
Timothy Reid	B	2/22/2021
Gabriel Perez	B	4/21/2021

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					18	\$27,749.04
NAME	Department	Employee Number	Termination Date	Refund Amount	Notes	
Ashley, Daphne	Finance-City Court	78265	1/15/2021	\$2,360.42	automatic	
Bartlett, Andrea	Library	80399	11/2/2020	\$2,577.08	automatic	
Beeler, Joseph	RPA	81567	12/3/2020	\$2,228.07	automatic	
Bennett, Elizabeth	Library	76817	12/28/2020	\$2,366.64	automatic	
Bilotta, James	Human Resouces	83377	12/10/2020	\$1,095.29	automatic	
Christoph, Lydia	General Government	84702	12/1/2020	\$731.03	automatic	
Coffel, Terry	Public Works	80584	2/18/2021	\$2,189.56		
Greeson, Gregory	Public Works	76880	1/29/2021	\$1,262.41	automatic	
Johnson, Candy C	Mayor office	84064	12/31/2020	\$2,933.96		
McKenzie, Eric A	Human Services	85062	12/3/2020	\$882.71	automatic	
Minton, Paul G	Fire TN Valley Reg C	83097	12/31/2020	\$811.63	automatic	
Parks, Shauntell	Finance-City Court	86567	1/11/2021	\$250.05	automatic	
Petty, Tracy L	Public Works	78184	2/1/2021	\$2,998.44		
Radel, Leah K	Human services	76091	8/6/2020	\$1,695.35	automatic	
Richardson, Robert	Human Resouces	86406	11/19/2020	\$463.01	automatic	
Short, Tonya	Public Works	86987	1/8/2021	\$52.05	automatic	
Taylor, Mario	Public Works	81076	1/8/2021	\$1,309.70	automatic	
Whitaker, Sayvion	YFD - FJC	81348	12/4/2020	\$1,541.64	automatic	

Return of deceased retiree basis

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Tanya Bain	Tressa Bain	1/14/2021	\$4,250.00	BF of Don Bain
Diane Templeton	James Templeton	2/7/2021	\$8,199.66	
Maurice Guest	Theora Guest	2/20/2021	\$2,458.64	

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE		3/31/2021	
COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	83,477.40	3/31/2021	
Fiscal Year to date	271,212.49		FY2021
<i>Budget</i>	<i>327,370.00</i>		<i>FY2021</i>
Same quarter last year	70,397.66	3/31/2020	
Prior Fiscal Year	294,671.67		FY2020
Cavanaugh Macdonald	18,200.00	3/31/2021	GPP valuation
Cavanaugh Macdonald	-	3/31/2021	GPP GASB 67 & 68
Cavanaugh Macdonald			Experience Study
Cavanaugh Macdonald	2,060.00	3/31/2021	Consulting service
Chattanooga Times Free Press	131.90	3/31/2021	Meeting ad
CBIZ IAS	25,000.00	3/31/2021	Investment consulting services
First Horizon Bank	38,085.50	3/31/2021	Administrative expense
City of Chattanooga services		3/31/2021	Administrative expense annual
COMPANY TOTAL	83,477.40		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	86,337.41	3/31/2021	
Fiscal Year to date	285,427.08		FY2021
Same quarter last year	80,407.13	3/31/2020	
Prior Fiscal Year	358,857.48		FY2020
Chartwell (prorated)	5,323.84	3/31/2021	Investment management fees
Kennedy Capital Mgmt (prorated)	15,046.00	3/31/2021	Investment management fees
Patten & Patten	18,376.63	3/31/2021	Investment management fees
Sustainable Insights	10,491.64	3/31/2021	Investment management fees
Wedge Capital	37,099.30	3/31/2021	Investment management fees
MANAGER TOTAL	86,337.41		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Fiscal Year to date		\$218,519.00	FY2021
DTC Diversified Partners III			distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement
FCA Venture Partners III			distribution
COMPANY TOTAL	-	\$218,519.00	

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year		200,000.00	FY2021	capital call
sell Chartwell Short Duration High Yield		-7,200,000	2/18/2021	transaction approved by board
sell Voya Floating Rate fund		-5,400,000	2/18/2021	transaction approved by board
buy Eaton Vance Management		12,600,000	2/18/2021	transaction approved by board
MISCELLANEOUS TOTAL	0.00	0.00		

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		114,585.12		FY2021
The Hartford	11,254.19		2/29/2021	Long Term Disability (50%)
The Hartford	11,200.81		3/31/2021	Long Term Disability (50%)
The Hartford	11,105.18		4/30/2021	Long Term Disability (50%)
The Hartford				Long Term Disability (50%)
TOTAL	33,560.18	114,585.12		

**CITY OF CHATTANOOGA OPEB TRUST
ADMINISTRATIVE ACTIONS**

PART II -- ACCOUNT SUMMARY

3/31/2021

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID THIS PERIOD	Qtr Ending	PURPOSE
Current quarter	11,718.31	3/31/2021	
Fiscal Year to date	47,678.19		FY2021
<i>Budget</i>	51,660.00		FY2020
Same quarter last year	28,522.23	3/31/2020	
Prior Fiscal Year	68,451.35		FY2020
 Cavanaugh Macdonald	-	3/31/2021	OPEB valuation
Cavanaugh Macdonald	-	3/31/2021	OPEB GASB 74/75
 CBIZ IAS	5,000.00	3/31/2021	Investment consulting services
 First Horizon Bank	6,718.31	3/31/2021	Administrative Expense
COMPANY TOTAL	11,718.31		

Investment Managers -- Fees Paid

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

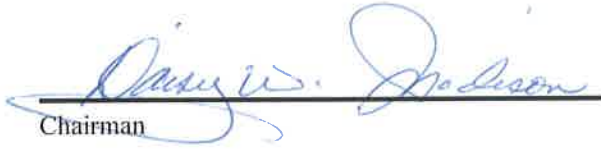
ACCOUNTS RECEIVABLE

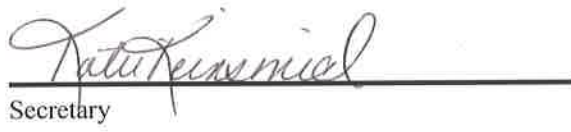
COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			
COMPANY TOTAL			

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year to date	80,000.00	FY2020	capital call
sell Allianz Short Duration High Yield	-3,200,000	2/18/2021	transaction approved by board
buy Eaton Vance Management	3,200,000	11/18/2020	transaction approved by board
transfer cash	-2,000,000	2/18/2021	transaction approved by board
buy Johnson Institutional Core Bond Fund	10/23/7375	2/18/2021	transaction approved by board
MISCELLANEOUS TOTAL	0.00		

APPROVED:


Chairman


Secretary