

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 17, 2016

The regular scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 17, 2016 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Aon Miller, Katie Reinsmidt, Stacy Richardson, and Carl Levi. Others attending the meeting were Valerie Malueg, City Attorney's Office; Scott Arnwine, Gavion, LLC; and Todd Dockery, 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 present at the beginning of the meeting.

Approval of Minutes

Carl Levi made a motion to approve the minutes of the August 18, 2016 meeting. Aon Miller seconded the motion. The minutes of the August 18, 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 circumstances around the Steve West LTD status, the Herndon adjustment for aggregation of GPP and OPEB for assessing expenses and the credit on the OPEB expenses, the Social Security cost of living adjustment of 0.3% for 2017. Cheryl Powell also provided a GPP profile sheet of demographics of the current retiree block to supplement the statistics provided by the actuary at valuation reporting. The report includes the number of current participants, average age at retirement, average number of retirements and deaths per year, percent distribution by age, average benefit and percent distribution by benefit amount.

The specifics of the Steve West LTD situation are: he was approved for LTD on 8/23/2016; he received benefits while still actively employed and did not terminate his employment; our LTD insurance policy does not provide for partial disability payments in the employee's own occupation; his doctor provided a letter to VOYA stating that he could return to work on 11/7/2016; VOYA settled paying Mr. West benefits until 11/6 in the amount of \$4,027.12; Mr. West began working again on 11/7/2016. This raises questions about whether he should keep the funds since he did not terminate employment, a precedent for future LTD decisions, and the cost of the LTD.

Daisy Madison initiated discussion of the LTD situation. She inquired if there is a provision in City handbook regarding the requirement of termination of employment upon approval of LTD. Cheryl did respond that whether or not a policy exists, it is an embedded practice of the City to require termination of employment, since the decision by the insurance company is that the employee is "totally disabled in his own occupation". This total disability has a two year own occupation period with the disability status continuing beyond two years if the disabled employee is totally disabled from "performing any occupation for which he is qualified by education and experience". Todd Dockery and Stacy Richardson both explained that Mr. West continued to be an active employee after he exhausted his PTO and continued to receive payments based on donated leave until he was returned to work on 11/7/2016. It was stated that this is not consistent with the normal treatment of disabilities under the current VOYA agreement nor the past agreement with Hartford. Carl Levi stated that he was not aware of any disabled employee remaining on active duty once they were approved for LTD during his tenure on the Board.

Daisy reiterated her question about the existence of a policy that states that an employee declared disabled must terminate employment. No one present was able to explicitly answer this question during the meeting.

Todd recommends that City policy for LTD be clarified and that VOYA be consulted to clarify treatment of LTD on approved cases and avoid payment for LTD before an employee terminates employment.

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

Carl Levi presented a motion that the Board recognize and congratulate James Howard Templeton, a third generation Superintendent of Public Works/Director of City-Wide Services, for 50 years of loyal and dedicated service to the City of Chattanooga and his fellow employees. Daisy seconded the motion. The motion for congratulating Mr. Templeton passed unanimously.

Valerie Malueg agreed to create the resolution for the Board and Mr. Templeton.

Statement of Investment Objectives

Discussion of this document resumed from the prior meeting. No corrections or changes to the allocation tables were recommended.

Daisy Madison did ask about sections of several pages.

- The first question concerns page 3, Section II.A.2. which references ‘laws of the state’ and whether this automatically refers to State of Tennessee. The response is that this language is sufficient reference to Tennessee..
- The next questions are on page 11 of the document. Section V.E.6 refers to Derivatives. Scott states that we do not have any. Scott also stated that Gavion manages the managers there is sufficient limits on assets invested by any one manager. Daisy asked if there is a conflict in the language surrounding the investment in repurchase agreements. The language is confusing as stated; however, repurchase agreements may not be in use for leverage in the portfolio.
- The next section addressed is on page 12 Section VI.A.2.b where Daisy asked that the word ‘quarter’ be changed to ‘period’. Additionally, Daisy suggested that the language in both Section VI.A.3.a and Section VI.A.3.b needs to be updated. In 3.a the reference to ADV parts is incorrect but it was unclear what it should be. Cheryl Powell agreed to determine what the language should be in that reference and let Daisy review it before incorporating updated language. In both 3.a and 3.b ‘March 31 of the following year’ will be changed to ‘annually’.
- On page 14 in Section VII.A.1.b, Daisy requested clarification of the criteria stated for selecting managers. Scott Arnwine stated that the criteria as written give sufficient leeway under different market environments. Daisy also asked if the standard for International Bond investment is BBB or better and Scott stated that he believes that is correct. Brandywine looks good, but there were questions about Aberdeen. Scott stated that Aberdeen is a mutual fund so we do not own any of the bonds.

Carl Levi made a motion to accept the changes to the Statement of Investment Objectives on page 12 in Sections VI.A.2, VI.B.3.a, VI.B.3.b as stated in the discussion. Aon Miller seconded the motion. The motion passed unanimously.

Because of the lateness of the date, the changes will be made and the new document filed prior to the end of the calendar year. Trustees present signed the document signature page. Cheryl will obtain signatures of all members who are absent from this meeting and then obtain Todd Dockery’s signature as Record Keeper.

Performance Review Third Quarter 2016 – Gavion

The quarter began with Brexit and the recovery from that took about 4 days after the vote. The search for yield by active managers in the low rate environment is ongoing. The leading sectors in second quarter, utilities

and telecom, reversed course during the third quarter and our large cap active manager results were at or above the benchmarks for the quarter. The small cap index, the Russell 2000 index, is affected by the 25% of the stocks that are losing money. The small cap managers are in a more volatile environment with a challenge to beat the benchmark. For the GPP portfolio, this particularly affects The London Company. London is up in the first weeks of November.

Scott presented a Market Review document as of November 9, 2016. Indexes are often considered as representing the 'risk free rate' over the long term but typically not over the short term. This report provides a look at the risk in relying only on indexing. In downturns, active management usually outperforms. Scott highlighted each slide and the type of environment within which each manager must operate. Gavion will be reviewing US Equities in light of the new presidential administration and the emerging agenda. Large cap managers have underperformed over the last five years. Gavion will be looking at how to evaluate the large cap managers going forward.

The total portfolio had a return of 3.7% with total equity at 5.1%. Hedge fund results for Pointer were strong for the quarter in a reversal from the second quarter. TerraCap IRR results are emerging positive and Intercontinental results has an 11% IRR since inception (over 2 years). Total fixed income results were 1.9%. Johnson Institutional Core Bond was funded late in the quarter so no results were reported yet. There are no current recommendations for manager changes.

The presidential election results suggest that policies will be pro-business and pro-growth. On the other hand, Congress may not approve all of the agenda proposals. The market historically reacts favorably to 'gridlock' and there is anticipation around reduced corporate tax rates.

OPEB fund is small and growing with good results for the quarter at 4.1% total return. The fund managers have been fully invested. The actuarial assumption is stated appropriately for the OPEB fund at 7.5%.

It was noted that the actuarial assumption had not changed in the GPP book to 7.25% as approved in May.

Report from Counsel

Valerie Malueg updated the trustees concerning the Sixth Circuit ruling on the COLA case for the Chattanooga Fire and Police Pension Plan. There was a narrow holding in favor of the change in the COLA provision when it is separate and apart from the benefit section; that is, it is an annual adjustment and not part of the benefit. The GPP COLA provision is in the benefit section. Valerie must still review the entire content of the decision to determine what the applicability is to the GPP.

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

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

**Meeting of Trustees
November 17, 2016**

PART I - PARTICIPANT SUMMARY

SUMMARY OF PENSION PLAN APPLICATIONS

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Brown, Maxine Renee	ECD	Imm Early	no	\$1,007.00	10/1/2016		
Cobb, Jack	General Services	Normal	no	\$798.87	9/1/2016		
Cotter, Christopher	Traffic	Normal	D	\$509.90	12/1/2016		vested
Cotton, Charles	Public Works	Normal	B	\$989.06	12/1/2016	\$55,402.49	
Fetherolf, Marsha	Public Works	Normal	no	\$847.90	10/1/2016		
Hilbert, Gary	ECD	Normal	A	\$1,312.47	9/1/2016		
Jackson, Gary	Public Works	Normal	B	\$2,892.44	9/1/2016		
Kinsey, Jon	Mayor office	Normal	B	\$916.22	12/1/2016		vested
Moore, Danny D	Airport	Imm Early	no	\$508.10	11/1/2016		
Russell, Darlena	Human Services	Normal	no	\$1,028.77	7/1/2016		
Templeton, James	Public Works	Normal	no	\$6,377.98	10/1/2016		

Count	11	\$17,188.71	\$55,402.49
-------	----	-------------	-------------

BENEFIT REVISIONS/CONVERSIONS - PENDING BOARD REVIEW/APPROVAL

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

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		68,663.47		FY2017
Cavanaugh Macdonald				IRS determination letter
Cavanaugh Macdonald				GPP valuation
Cavanaugh Macdonald				Implicit Subsidy
Cavanaugh Macdonald	12,026.00		9/30/2016	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	38.07		9/30/2016	Meeting ad 5/19/2016
Gavion, LLC	25,000.00		9/30/2016	Investment consulting services
First Tennessee Bank	31,599.40		9/30/2016	Administrative expense
City of Chattanooga Human Resources				Administrative expense
COMPANY TOTAL	68,663.47	68,663.47		

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		95,998.35		FY2017
Chartwell	7,650.71		9/30/2016	Investment management fees
Herndon	10,444.06		9/30/2016	Investment management fees
Insight	14,943.10		9/30/2016	Investment management fees
Kennedy Capital Management	14,185.00		9/30/2016	Investment management fees
Patten & Patten	10,871.49		9/30/2016	Investment management fees
The London Company	11,140.00		9/30/2016	Investment management fees
Wedge Capital	26,763.99		9/30/2016	Investment management fees
MANAGER TOTAL	95,998.35	95,998.35		

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			distribution
SEC vs Dollar General Corp			distribution
Northern Trust			class action litigation settlement

COMPANY TOTAL	-	75,000.00
----------------------	---	------------------

REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to Date		10,618,000.00		FY2016
Fiscal Year to Date		22,700,000.00		FY2017
iShares Russell 1000 Growth Fund	700,000		9/16/2016	to pay benefits
iShares Russell 1000 Growth Fund	500,000		10/25/2016	to pay benefits
iShares Russell 1000 Growth Fund	600,000		11/15/2016	to pay benefits Greenspring capital call

MISCELLANEOUS TOTAL	1,800,000.00	22,700,000.00
----------------------------	---------------------	----------------------

REPORT OF ACCOUNT(S) PAID

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	MONTH	PURPOSE
Fiscal Year to date		137,530.86		FY2016
Fiscal Year to date		47,004.83		FY2017
VOYA	11,752.52		7/1/2016	Long Term Disability (50%)
VOYA	11,686.29		8/1/2016	Long Term Disability (50%)
VOYA	11,769.98		9/1/2016	Long Term Disability (50%)
VOYA	11,796.04		10/1/2016	Long Term Disability (50%)

TOTAL	47,004.83	47,004.83
--------------	------------------	------------------

**CITY OF CHATTANOOGA OPEB TRUST
ADMINISTRATIVE ACTIONS**

PART II -- ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year to Date		46,345.33		FY2016
Fiscal Year to Date		15,204.52		FY2017
Cavanaugh Macdonald				OPEB valuation
Cavanaugh Macdonald	5,916.00		9/30/2016	OPEB GASB 74
Gavion, LLC	5,000.00		9/30/2016	Investment consulting services
First Tennessee	4,288.52		9/30/2016	Administrative Expense
COMPANY TOTAL	15,204.52	\$15,204.52		

Investment Managers -- Fees Paid

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
Fiscal Year to Date		55,341.51		FY2016
Fiscal Year to Date		(1,208.67)		FY2017
Herndon	(1,208.67)		9/30/2016	Investment management fees
MANAGER TOTAL	(1,208.67)	(1,208.67)		

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT PAID		QUARTER	PURPOSE
	THIS PERIOD	FYTD	ENDING	
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