

## MEETING OF THE TRUSTEES

### CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 21, 2024

This regularly scheduled meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 21, 2024 at 8:30 a.m. in the J. B. Collins Conference Room, City Council Building. Trustees present were Daisy Madison, Aon Miller, Jeffrey Wilson, Katie Reinsmidt, Collin Thul and Javaid Majid. Others in attendance at the meeting were Robert Longfield and Scott Arnwine, CBIZ IAS, Inc.; Phillip Noblett, Office of the City Attorney; Daniel Harrigan, Dessalyn Sammons, Starla Benjamin, Jason Silvers 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 Katie Reinsmidt.  
A quorum was present at the beginning of the meeting.

#### Approval of Minutes

*Aon Miller made a motion to approve the minutes from the August 15, 2024 meeting. Javaid Majid seconded the motion. The minutes were approved.*

#### Introduction of newly appointed Trustee Collin Thul

Cheryl Powell introduced Collin Thul to the other Trustees in attendance and read some remarks regarding his background and interest in the board. He was appointed to the board in August 2024.

#### Administrative Actions

Cheryl Powell presented the Administrative Actions for the quarter. Retirement activity was light on this report. This often happens in the weeks leading up to the longevity pay as employees want to remain active to receive this benefit. One retiree exercised the option to receive a DROP payment amounting to just under \$57,000. Termination activity was normal with relatively low benefits for all but two more highly paid employees. There was one retiree death with a return of basis. For the General Pension fund, there were distributions received from three funds:

- Golden Tree Distressed Fund III distributed a total of \$121,600
- Golden Tree Distressed Debt IV distributed a recallable amount of \$267,000
- DTC Diversified Partners III distributed a total of \$50,802

In the OPEB Trust, a distribution from GoldenTree Distressed Co-Investment Fund of \$29,000 was received. The board approved transfers from Cash to the Pointer Offshore Ltd, Ironwood International Ltd, Eaton Vance Multi-Asset Credit and Vanguard FTSE All World ex-US Index funds in OPEB were transacted.

Cheryl also shared the following:

- the board received a complaint from one of the recently retired participants
- the RFQ to hire an actuarial auditor to comply with TCA requirements was released after the last meeting and for firms responded
- a report of overall payment activity and participant age and payment distributions for the GPP
- an FYI that the cola for Social Security is 2.5% for 2025
- the signature page for the Statement of Investment Objectives will need to be signed by the Trustees present before adjournment.

***Jeffrey Wilson made a motion to approve administrative actions. Katie Reinsmidt seconded the motion. The administrative actions were approved.***

Cheryl had provided the board with documents pertaining to the letter. Daisy Madison started the conversation around the complaint received by the recently retired participant. She explained the nature of the complaint. The retiree was not invited to this board meeting to state his complaint.

Jeffrey Wilson asked a question directed toward the Board's Counsel: Does the Board have the authority to make a decision and does the Board have any responsibility to this retiree?

The Counsel's (Phil Noblett) reply is that this Board has the authority to enforce the provisions that are in the GPP, the Board has fiduciary authority for the fund for all beneficiaries and any other authority that the City Council has given via appointment to the Board. The retiree asserts that he is entitled to benefits earlier than he received them; however, the retiree does have the responsibility to abide by the provisions of the plan pertaining to commencing his pension and making retirement elections.

Daniel Harrigan explained the process used to commence pension benefits and indicated that there were no violations of the process. He did agree that the current standard letters sent to the retiree could be improved to emphasize the requirement for the retiring employee to come in to sign papers is a 'must' to commence their pension.

There was additional discussion about the issue.

***Javaid Majid made a motion to defer the discussion to another meeting. Katie Reinsmidt seconded the motion. The motion carried.***

Continued discussion is deferred to a called meeting to be held on 12/13/2024 at 8:30 a.m. in JB Collins if it is available. The retiree will be invited to this called meeting. Cheryl will set up the meeting, with an alternative date of Tuesday 12/17/2024 if the room is not available. Phil Noblett will draft a letter to invite the retiree to the called meeting for Daisy's signature.

Phil Noblett suggested that the Board needs to determine the rules for a hearing and amend the bylaws, since the current bylaws do not address rules for grievances. The amendment should include a letter template and grievance process that addresses the place, manner, and time limitations for presenting a grievance.

### **Investment Performance Review 3Q2024 – CBIZ Investment Advisory Services**

Robert Longfield provided some preliminary comments about the current market and political conditions. There have been two interest rate cuts. The election is over and now the impact of Trump's administrative policies will need to be analyzed for future market impact.

Scott Arnwine provided a review of plan results for the quarter. The GPP fund ended the quarter at \$377.3 M with a total return of 4.7% for the quarter and 10.3% for the year to date. For the third quarter, the equity managers had positive results but struggled against their benchmark and tended to fall below their benchmark. Large cap equity manager results were up 5.5% for the quarter and up 19.4% for the year to date. This quarter, large cap value results outpaced large cap growth results. Value managers were underweight the sectors, utilities and real estate, that performed well. Value managers had positive results but were below their benchmark. Total equity had returns of 6.3% for the quarter; international equity results are 7.8% for the quarter.

Alternative investments (private equity, hedge funds, real estate) as a group had total returns of 1.6% for the quarter. Private Equity has not yet reported for the quarter. The hedge funds returns were 2.8% for the quarter and both funds exceeded their benchmark. The federal deficit and ongoing volatility are concerns for these managers. Real Estate was down 0.8% for the quarter and down 5.9% for the year to date. TerraCap III has two remaining properties. TerraCap V is waiting on the real estate market to rebound to improve the value for sales of property.

Total Fixed income was up 5.2% for the quarter and up 5.0% for the year to date. Johnson and Brandywine outperformed their benchmark. The three GoldenTree funds have good IRR values. TerraCap III is still performing well and TerraCap V is in a situation where they can wait out the market before selling any properties.

For the OPEB Trust, the fund level at the end of 3Q is \$162.2 M with returns of 4.9% for the quarter and 12.4% year to date. The results for OPEB are often similar to that of the GPP since OPEB has many of the same investment managers; however OPEB is more heavily weighted in stocks and with a longer horizon it is invested more aggressively. As the fund increases in size, it will be invested in a more diversified manner.

There is a large amount of cash in the OPEB fund. Scott mentioned that there is \$3 million in cash committed to private equity that has not been called. Scott provided recommendations for allocating \$12 million of cash to investment managers in the OPEB funds as follows:

- Add \$2 million to Pointer Offshore Ltd. (Equity hedge fund)
- Add \$2 million to Ironwood International Ltd (Diversified hedge fund)
- Add \$4 million to Eaton Vance Multi-Asset Credit fund
- Add \$4 million to Johnson Institutional Core Bond Fund

***Katie Reinsmidt made the motion to allocate \$12 million of cash in the OPEB fund to certain managers as follows: \$2 million to Pointer Offshore Ltd., \$2 million to Ironwood International Ltd, \$4 million to Eaton Vance Multi-Asset Credit fund, and \$4 million to Johnson Institutional Core Bond Fund. Aon Miller seconded the motion. The motion carried.***

### Asset Allocation Study

Robert and Scott then proceeded to present the results of the Asset Allocation study. Since the last allocation study, there have been changes in the economy and the Board has changed the actuarial assumption rate. A presentation was handed out for the Trustees to follow along.

- Page 2 provides a history of the Federal Funds rate since 1993. Rates climbed beginning in 2023 to counter inflation. With inflation more controlled, the rates will slowly decline over time by small amounts.
  - Considering future inflationary policies, this may not be the right environment for reductions to the interest rate; thus, rates may remain at a higher level for an unknown period of time.
- Page 3 shows the Treasury yield curve at different points in time. It shows that long term rates are at higher levels and that short term rates are declining some. The current curve is not a 'normal' curve.
- Page 4 shows US Government debt as a percent of GDP since 1900 and projected debt for 30 years from 2024. Projected debt as a percent of GDP is trending upward at high rate and the current interest cost of debt is 4/6% of the GDP.
- Page 6 provides the inflation trend comparing Headline CPI and Core CPI. The trend has been downward, but with prices at a new level, the trend may remain elevated. There is no expectation of deflation.
- Page 7 provides the S&P 500 index forward P/E ratio. At the far right of the graph, the ratio exceeds one (1) standard deviation from the 30 year average. This has a negative influence on the expected returns going forward. As illustrated on page 10, ten (10) stocks within the S&P500 represent approximately 37% of the market capitalization.
- Page 11 illustrates the difference between Active and Passive investment approaches. CBIZ recommends a mix of active and passive indices and investments for diversification and risk control.
- Pages 12-15 illustrate where the portfolio is and the asset allocation viewpoints. Current concerns are in the mix, especially where the portfolio is overweight or underweight in the balance of investments.
- Pages 16 – 19 provides the asset allocation strategy, the actuarial return assumption and the distribution of the assumptions across the NASRA public pension plans database from 2001-2023. The GPP and OPEB actuarial assumption is below the median of the assumptions shown in the chart. The considerations for portfolio construction in the current environment are provided in modeling for the efficient frontier.
- Page 20 shows the improvement in the GPP and OPEB funded over the past six valuations for GPP and the past three valuations for OPEB.
- Page 22 illustrates the portfolio efficient frontier for an asset allocation model – providing the highest return for the expected risk and the lowest risk for the expected return – using a Monte Carlo simulation.

- Page 23 provides the capital market assumptions, mean and standard deviation, for the study and resulting recommendations.
- Page 25 shows the efficient frontier for the GPP portfolio.
- Page 26 and 27 shows the simulation results for the GPP and that moving to the Option A allocation from the Target allocation is favorable for the GPP; ***CBIZ recommends Option A allocation goal for the GPP.***
- Page 28 shows the efficient frontier for the OPEB
- Page 29 and 30 shows the simulation results for OPEB and that moving to the Option A allocation from the Target allocation (increasing hedge fund and Private Equity exposure while decreasing equity from the target) is favorable for the OPEB; ***CBIZ recommends Option A allocation goal for the OPEB.***

***Javaid Majid made a motion for CBIZ to focus on Option A for asset allocation for GPP (Step 1) and Option A for the asset allocation for OPEB (Step 2). Collin Thul seconded the motion. The motion carried.***

At the next scheduled meeting in February, CBIZ plans to provide another presentation showing the sources and uses to make the moves to achieve the selected allocation for each fund.

#### **Pension Board Purchasing Policy – status**

The Board needs written correspondence to request a change to the purchasing policy. From the last meeting the City's Finance Officer was going to work with Valerie Malueg to draft a Board purchasing policy to address the concerns of the Board in their participation in the procurement of services.

An opinion was expressed that, in order to make progress on this issue, a correspondence in writing needs to be sent to the Mayor's office requesting amendments to the purchasing policy to address the Board's concerns.

***Jeffrey Wilson made a motion to request the City Attorney to draft a purchasing policy that addresses the participation of the Board in the RFPs/RFQs in the procurement process for the next meeting. Aon Miller seconded the motion. The motion passed.***

#### **Report from First Horizon**

There was no report from First Horizon.

#### **Report from Counsel**

Phil Noblett said that he would be working on the items:

- letter to the retiree complainant inviting him to the called meeting for Daisy's signature,
- With Valerie, develop draft amendments to the bylaws for a grievance process,
- With Valerie, develop a purchasing policy for Board consideration at the next meeting.

There was no other business to discuss.

***Javaid Majid made a motion to adjourn. Collin Thul seconded the motion. Daisy Madison adjourned the meeting.***

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

**Meeting of Trustees  
November 21, 2024**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Rudolph, Gary L	Community Development	normal	C	\$1,033.78	8/1/2024		
McClure, Craig	Warner Park	imm early	D	\$478.55	9/1/2024		vested
Garner, Blondel	Early Learning	rule of 80	no	\$1,326.73	10/1/2024		
Carden, Vivian A	Public Works	normal	no	\$1,040.36	11/1/2024		
Sutherland, Chandra	Early Learning	rule of 80	no	\$2,225.94	11/1/2024	\$56,842.17	
Atterton, Glenn	Wastewater	normal	B	\$823.62	12/1/2024		

6 \$6,928.98 \$56,842.17

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

Name	Employee	Type	Option	Date of Death	Amount or Monthly Amount	Effective Date	Notes
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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**

*Pre-Retirement option election*

NAME	OPTION	Effective Date
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**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 29 \$52,304.59

NAME	Department	Employee Number	Termination Date	Refund Amount	Notes
Lusk, Kendrea	Headstart	62830	7/25/2013	\$3,310.60	
Crowell, Levi	Public Works	84583	5/7/2021	\$1,176.81	
Brown, Brandy	Airport	na	7/9/2023	\$1,456.93	
Deyton, Angela H	Early Learning	102610	6/6/2024	\$539.07	
Raymundo, Elisa M	Mayor FJC	88622	6/7/2024	\$1,996.83	
Strange, Mark D	Public Works	100448	6/12/2024	\$1,635.09	
Davis, Brandon A	Public Works	103576	6/20/2024	\$87.09	
Ransom, Roddrick D	Public Works	102802	6/24/2024	\$474.58	
McElhiney, Christopher W	Public Works	100856	6/25/2024	\$1,523.82	
Ware, Saul A	Wastewater	103889	6/26/2024	\$121.75	
Eberhart, Lamunika D	Mayor Community Hc	101481	6/27/2024	\$1,178.59	
Mayes, Michael A	Public Works	103486	6/27/2024	\$254.12	
Thompson, William R	Finance - Court Clerk	103050	6/28/2024	\$239.24	
Nguyen, Le-co Christine	Finance - Grants	87774	7/5/2024	\$3,257.43	
Shivers, Sydney E	Community Developpr	102564	7/12/2024	\$2,020.97	
Metcalf, Tommy R	Public Works	103311	7/15/2024	\$584.32	
Watson, Lance E	Parks and Outdoors	100360	7/15/2024	\$1,088.49	
Daugherty, Trisha A	Library	103787	7/17/2024	\$189.69	
Deere, DeLeon R	Public Works	104042	7/18/2024	\$43.23	
Scarson, Brad A	Public Works	100237	7/23/2024	\$2,309.92	
Skellenger, Kevin R	Wastewater	101603	8/8/2024	\$2,301.54	
Pitcairn, William R	Public Works	102258	8/9/2024	\$3,524.31	
Fallins, Mikhail Q	Wastewater	101622	8/15/2024	\$1,467.29	
Kepper, Vanessa L	Police services	88277	8/19/2024	\$2,064.34	
Ewalt, Ryan	Mayor office	88643	8/27/2024	\$9,089.19	
Cummings, Xavier	Community Developpr	65100	9/4/2024	\$3,152.29	
Hodgson, Charles K	Wastewater	85908	9/12/2024	\$5,748.54	
Turner, Keaira G	Police services	103301	10/1/2024	\$1,190.00	
Phillips, Taekia I	Public Works	103885	9/11/2024	\$278.52	

**RETURN OF DECEASED RETIREE BASIS**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Keith Argenbright	Brenda Moore	8/27/2024	\$259.15	

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAID**

9/30/2024

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	68,755.95	9/30/2024	
Fiscal Year to date	68,755.95		FY2025
<i>Budget</i>	392,186.00		FY2025
Same quarter last year	83,770.42	9/30/2023	
Prior Fiscal Year Actual	336,583.01		FY2024
Cavanaugh Macdonald	-	9/30/2024	GPP valuation
Cavanaugh Macdonald	8,100.00	9/30/2024	GPP GASB 67 & 68
Cavanaugh Macdonald	-	9/30/2024	Experience Study
Cavanaugh Macdonald	1,384.00	9/30/2024	Consulting service
Records Management	336.37	9/30/2024	Minutes, supplies
Chattanooga Times Free Press	30.14	9/30/2024	Meeting ad
CBIZ IAS	25,000.00	9/30/2024	Investment consulting services
First Horizon Bank	33,905.44	9/30/2024	Administrative expense
City of Chattanooga services	-	9/30/2024	Administrative expense annual
<b>COMPANY TOTAL</b>	<b>68,755.95</b>		

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

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	130,284.35	9/30/2024	
Fiscal Year to date	130,284.35		FY2025
Same quarter last year	105,091.95	9/30/2023	
Total Prior Fiscal Year	463,876.29		FY2024
Kennedy Capital Mgmt	43,334.00	9/30/2024	Investment management fees
Patten & Patten	23,560.89	9/30/2024	Investment management fees
Kerusso Capital Management	13,822.56	9/30/2024	Investment management fees
Wedge Capital	49,566.90	9/30/2024	Investment management fees
<b>MANAGER TOTAL</b>	<b>130,284.35</b>		

**ACCOUNTS RECEIVED**

COMPANY	AMOUNT RECEIVED	FYTD	EFF DATE	REASON
Fiscal Year to date		1,385,009.35	FY2023	
Fiscal Year to date		691,102.56	FY2024	
Fiscal Year to date		439,402.00	FY2025	
	Qtr Ending	9/30/2024		
DTC Diversified Partners III	\$50,802.00			distribution check 9/10/2024
TerraCap Partners III	\$0.00			distribution
TerraCap V	\$0.00			distribution
GoldenTree Distressed Fund 2014	\$0.00			distribution
GoldenTree Distressed Fund III	\$121,600.00			distribution
GoldenTree Distressed Debt IV	\$267,000.00			distribution (recallable)
Medley Opportunity Fund III	\$0.00			distribution
Greenspring Global Partners IV	\$0.00			distribution
Greenspring Opportunity Fund III	\$0.00			distribution
FCA Venture Partners III	\$0.00			distribution - Final
<b>COMPANY TOTAL</b>		<b>439,402.00</b>		

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	FYTD	EFF DATE	REASON
Fiscal Year to date		-	FY2025	capital call
Fiscal Year to date		0.00	FY2025	all other transactions
				to pay benefits
				to pay benefits
				approved transaction
				approved transaction
GoldenTree Distressed Debt IV				capital call
<b>MISCELLANEOUS TOTAL</b>		<b>0.00</b>	<b>0.00</b>	

**REPORT OF ACCOUNT(S) PAID**

COMPANY	AMOUNT PAID THIS PERIOD	FYTD	MONTH	PURPOSE
Total Prior Fiscal Year		104,752.34		FY2024
<i>Budget</i>		107,500.00		FY2025
Fiscal Year to date		26,734.04		FY2025
Symetra	8,873.30		7/1/2024	Long Term Disability (50%)
Symetra	8,877.92		8/1/2024	Long Term Disability (50%)
Symetra	8,982.82		9/1/2024	Long Term Disability (50%)
Symetra				Long Term Disability (50%)
<b>TOTAL</b>		<b>26,734.04</b>	<b>26,734.04</b>	



**CITY OF CHATTANOOGA OPEB TRUST  
ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

9/30/2024

**ACCOUNTS PAID**

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Current quarter	22,014.51	9/30/2024	
Fiscal Year to date	22,014.51		FY2025
<i>Budget</i>	78,190.00		FY2025
Same quarter last year	20,463.98	9/30/2023	
Total Prior Fiscal Year Actual	75,929.05		FY2024
Cavanaugh Macdonald	-	9/30/2024	OPEB valuation
Cavanaugh Macdonald	8,100.00	9/30/2024	OPEB GASB 74/75
CBIZ IAS	5,000.00	9/30/2024	Investment consulting services
First Horizon Bank	8,914.51	9/30/2024	Administrative Expense
<b>COMPANY TOTAL</b>	<b>22,014.51</b>		

***Investment Managers – Fees Paid***

COMPANY	AMOUNT PAID	Qtr Ending	PURPOSE
Fiscal Year prior			
Fiscal Year to Date	26,312.98	9/30/2024	
Kerusso	26,312.98	9/30/2024	
<b>MANAGER TOTAL</b>	<b>26,312.98</b>		

**ACCOUNTS RECEIVED**

COMPANY	AMOUNT RECEIVED	EFF DATE	REASON
Prior quarter total			
GoldenTree /Distressed Co-Investment Fund	\$29,000.00	9/30/2024	distribution
Greenspring Opportunities Fund VII	\$0.00	9/30/2024	distribution
<b>COMPANY TOTAL</b>			

**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

COMPANY	AMOUNT	EFF DATE	REASON
Fiscal year to date	-	FY2025	capital calls
Fiscal year to date		FY2025	all other transactions
Cash	-7,000,000		approved transaction 8/15/2024
Pointer Offshore Ltd	1,000,000		approved transaction 8/15/2024
Ironwood International Ltd	1,000,000		approved transaction 8/15/2024
Eaton Vance Multi-Asset Credit fund	2,000,000		approved transaction 8/15/2024
Vanguard FTSE All World ex-US Index	3,000,000		approved transaction 8/15/2024
GoldenTree Distressed Co-Investment Fund III			capital call
StepStone VC Opportunities VII			capital call
<b>MISCELLANEOUS TOTAL</b>	<b>0.00</b>		

APPROVED:

*Darryl W. Madison*

Chairman

*Don Miller*

Secretary