

**MEETING OF THE TRUSTEES**  
**CITY OF CHATTANOOGA GENERAL PENSION PLAN**

**February 20, 2014**

The regular meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on February 20, 2014 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Steve Perry, Carl Levi, Katie Reinsmidt, and Jeff Cannon. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; Scott Arnwine and Gina Miles, Gavion, LLC; Madeline Green, Todd Dockery and Cheryl Powell, City Human Resources Department, and Mike Walden, Perry Walden, and Buddy Presley. Special guests in attendance are Jerry Martin and Darren Robbins from Robbins Geller Rudman & Dowd, LLP.

The meeting was called to order by Chairwoman Daisy Madison. The agenda for the meeting was adjusted because some of the trustees need to leave early for other commitments.

**Robbins Geller Rudman & Dowd Portfolio Monitoring Program - Jerry Martin, Darren Robbins**

Mr. Martin made some introductory comments and then introduced Darren Robbins who presented the information about the portfolio monitoring program. Mr. Robbins provided some history of the program and some examples of the recovery successes that have been experienced. They have three offices in the Southeast in Nashville, Atlanta and Boca Raton. The program uses a database of investment data, submitted by participating entities, to search for fraudulent impacts to various funds. One of the major investments to monitor is the Mortgage Backed Security (MBS), which is segmented and repackaged into bonds of various durations. The program operates behind the scenes in its search and operates under the premise that there is no incentive for a fund manager or investment advisor to specifically report losses due to fraud within any of the funds in which an entity is invested. These losses are potentially recoverable through class action or private action. The portfolio monitoring has increased recovery success when pension funds are involved - individual action tends to yield greater recovery where typical class action yields pennies on the dollar.

The database program examines each investment in the portfolio and the program produces reports. (Note, this system does not monitor investment managers, only the investment). The output highlights the potential for recovery where evidence of fraud is detected. This evidence could be a class action suit already filed or some other litigation in progress. The report results provide a conduit for filing for potential recovery. First Tennessee, as the pension fund custodian, would make the claim as appropriate for any class where the eligible claim is highlighted. The system is a free monitoring service and a separate agreement provides for back end fees in the event assets are pursued and recovered. The monitoring of the portfolio provides a tool for delving into the details of any highlighted case. The pension plan custodian can file or initiate action for recovery based on the results. The fund is not obligated to retain Robbins Geller and may use its own litigant.

The board discussed the current procedure that takes place between the City attorney and First Tennessee Bank in filing for recoveries. For this monitoring process, a one-time data dump would be required to load the database. The monitoring system then monitors the trading data and thereby stays up to date. Investments that are affected are highlighted in a report of the City of Chattanooga investments provided on a periodic basis.

The board expressed some concern about the security of the data; however, this concern may be addressed in contract language. First Tennessee Bank and Gavion both feel that the efforts and procedures in place are effective.

**Approval of Minutes**

A quorum was present at the beginning of the meeting.

*Carl Levi made a motion to approve the minutes of the December 19, 2013 meeting. Katie Reinsmidt seconded the motion. The minutes of the meeting were unanimously approved.*

#### **Report from Counsel**

##### **Conflict waiver consent request by Perry Walden's legal counsel**

Mr. Buddy Presley is coming before the Board to request the Board to consent to waiver of the conflict, under Rule of Professional Responsibility, arising from his current lawsuit and his prior relationship with the Board. This waiver would remove the attorney-client privilege that exists between Mr. Presley and the Board during the time period he represented the Board.

Mr. Presley provided some background for the case that is in progress that involves both the General Pension Plan and the Fire and Police Pension Plan. The City has filed a motion to dismiss the case. At that time, Mr. Presley realized that he has a conflict of interest in this case representing Mr. Perry Walden that he did not recognize until recently. He has a former client (the Board) that he is now suing and the case involves a substantially related issue from his prior service to the Board that relates to the current case. In 2002, Mr. Presley was representing the General Pension Board when the buy-back provision over which he is now suing was passed. In order for the lawsuit against the Board to proceed, the Board must waive conflict during the time period Mr. Presley represented the Board. Mr. Presley stated that he did provide advice and counsel during the period of time when the buy-back provisions of the General Pension Plan and the interplay of those provisions with the Fire and Police Pension Plan were going to referendum. Mr. Presley, in representing Mr. Walden, has brought litigation against the Board regarding this same provision.

Both Mr. Perry Walden and Mr. Mike Walden made statements appealing to the Board to grant the waiver of privilege, otherwise another attorney would have to be retained further delaying the outcome of the case and Mr. Perry Walden's retirement.

The question before the Board is whether to waive or not waive the conflict of interest of Mr. Buddy Presley.

The Board expressed the opinion to not waive their privilege and on a voice vote unanimously chose not to consent to waiver of the conflict.

#### **Election of Officers**

The annual election of officers was deferred until May.

#### **Administrative Actions – General Pension Plan and OPEB**

Cheryl Powell presented the benefit and plan expenses in the General Pension Plan and OPEB Trust administrative action reports, attached to the end of these minutes.

*Carl Levi made the motion to approve the administrative actions. Steve Perry seconded the motion. These administrative actions were unanimously approved by the Board.*

#### **Review of Bylaws**

Cheryl provided hardcopies of the bylaws to each trustee in attendance and stated that she would send an electronic copy of the bylaws as well. Each trustee needs to review the bylaws and make recommendations for change or update of any of the language or provisions in the bylaws for the next meeting. The last review of the bylaws was in 2005.

### **Administrative Issues – Rehire of retirees policy**

The policy statement for treatment of rehired retirees was presented in a follow-up from the December meeting. Carl Levi expressed the opinion that after these three, going forward rehired retirees should not participate in the General Pension Plan. Further action was deferred until the next meeting since some of the trustees had to leave.

### **Gavion**

Scott Arnwine stated that funds to pay future benefits were liquidations of fixed income assets but in the future, funds may come from equity funds as well, particularly any cash positions.

*Katie Reinsmidt made the motion to transfer funds as needed from either fixed income or equity managers. Steve Perry seconded the motion. The motion carried.*

### **Performance Review of 4<sup>th</sup> Quarter 2013 -- Gavion**

Returns for the quarter were lower than the objective. Overall the returns for 2013 were above expectations; however, returns are anticipated to be lower over the next three years. At the same time the portfolio outperformed the actuarial assumption of 7.75% in the fourth quarter for the three year and five year trailing time periods. By fund allocation, the results were very good but only exceeded the objectives in Hedge funds and in Fixed Income. One of the reasons for the improvement is that 2008 is no longer in the five year results. Additionally, the results reflect the accumulation of the adjustments made by the Board to improve portfolio performance, including the recent moves to reduce exposure to fixed income. Results from hedge funds and the Small Cap managers continue to be good. Scott was reminded that the actuarial assumption was lowered in the December meeting to 7.50%.

Scott mentioned that there are no new recommendations for allocation changes, but from a watch list perspective, the next manager review should be of Patten and Patten to review their process. He recommended bringing them before the board for review which may take about 20 minutes. This will be scheduled for a meeting after May, since the actuarial reports for both valuation and OPEB will be given in the May meeting. The opportunity communicated in December to participate in a new Greenspring fund has passed since the fund filled up quickly.

Gina Miles, Research Director for Hedge Funds and Real Assets, is visiting the meeting in Robert's absence. She is in Chattanooga to do on-site due diligence at Pointer. She provided report on her visit with Pointer and on the performance of the Pointer funds. Pointer is a fund of funds based in Chattanooga (their location is on Broad Street). She met with the team during her visit to Chattanooga. She works with the specialists and all the consultants and visits with them to build a relationship and ensure that they are performing according to their investment philosophy. Pointer's goal is not to find the most popular large fund but to find the smaller fund managers or to find unique relationships. They did perform well last year. The hedge funds should return between 8-15% and have diversified equity exposure.

OPEB investment policy summary is found starting on page 11 of the report. The format is the same as that for the pension plan. At the last meeting the question came up about the Statement of Objectives for OPEB. The Statement of Objectives approved at the November meeting addresses only the General Pension Plan. At the December meeting, it was agreed to address the asset allocation parameters and the need for the separate statement. Scott Arnwine recommends that the Board adopt the same investment policies for OPEB that were written for the General Pension Plan. The only difference will be that OPEB will likely have a higher cash position than the pension plan. This will require an Attachment A clone labeled Attachment B to provide the specification of guidelines specifically for OPEB. Scott suggests keeping them the same as for the General Pension Plan at this time. The Statement of Investment Objectives is scheduled to be reviewed again this year at the August meeting.

A draft of the Statement of Investment Objectives that includes the OPEB guidelines will be made available at the next meeting.

**Other Business**

Daisy Madison requested that a meeting date be set before May to address the administrative issues that are before the board. Cheryl will look for a date in April and then send notice of the meeting date to the board.

The meeting adjourned.

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

**Meeting of Trustees  
February 20, 2014**

**PART I - PARTICIPANT SUMMARY**

**SUMMARY OF PENSION PLAN APPLICATIONS**

Name	Department	Type	Option	Monthly Amount	Effective Date	DROP	Notes
Anderson, David L	Public Works	Rule of 80	B	\$1,445.52	2/1/2014		LTD
Blackwell, Robert	Parks and Recreation	Normal	no	\$1,011.32	1/1/2014		
Blanks, Sharon	Police Services	Rule of 80	A	\$1,253.56	1/1/2014		
Bowens, Johnny L.	Public Works	Normal	E	\$962.64	1/1/2014		
Cochrane, Richard	Public Works	Imm Early	no	\$1,019.49	2/1/2014		
Combs, Sara R	Public Works	Normal	no	\$629.85	1/1/2014		
Fitch, Leroy	Public Works	Normal	B	\$1,356.61	1/1/2014		
Goodwin, Alonzo	Public Works	Normal	B	\$1,359.28	1/1/2014		
Harrington, Beverly	Police Services	Normal	B	\$1,507.73	1/1/2014	\$49,328.31	
Harrington, Ray	Public Works	Normal	B	\$1,385.90	1/1/2014	\$21,022.66	
Hicks, Jerry	Public Works	Normal	no	\$1,295.62	1/1/2014		
Hope, Glenda F.	Public Works	Normal	no	\$1,399.98	1/1/2014	\$60,702.34	
Hutsell, Richard	Public Works	Rule of 80	B	\$2,245.33	1/1/2014	\$99,884.54	
Jackson, Gloria	Police Services	Normal	A	\$1,159.65	12/1/2013		
James, Terrell	Public Works	Imm Early	A	\$869.19	1/1/2014		
Kelley, Douglas	Human Resources	Rule of 80	E	\$2,382.61	1/1/2014	\$32,825.81	
Kropff, David	Public Works	Normal	no	\$1,777.92	1/1/2014		
Pardue, Michael	Public Works	Normal	B	\$1,406.13	1/1/2014		
Reeves, Janie D	Police Services	Rule of 80	C	\$1,732.04	1/1/2014		
Smith, Jean P.	Human Resources	Rule of 80	D	\$2,109.30	1/1/2014		
Spence, Jack	Public Works	Normal	no	\$810.85	1/1/2014		
Stevenson, Jo Ann	Public Works	Imm Early	B	\$258.32	2/1/2014		LTD
Turner, Janice	General Bov't	Normal	B	\$1,947.55	1/1/2014		
Ware, William P.	Public Works	Normal	C	\$1,313.53	1/1/2014	\$38,264.10	

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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
Michael A Harris	A	11/19/2013
Retonga Smith	A	11/26/2013
Darlena B. Russell	B	12/2/2013
Mary Lee Watkins	B	12/16/2013
Maryilyn M. McBryar	B	12/17/2013
Preston Bonner	A	1/3/2014
Vanessa Meyer	B	1/15/2014
Clarence Thomas	B	2/13/2014

**DISABILITY BENEFIT REPORT**

NAME	TYPE	Employee Number	Monthly Disability Benefit Amount	Effective Date	Notes
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**LUMP SUM DISTRIBUTIONS (FOR RATIFICATION - CHECKS PROCESSED)**

**Return of contributions**

NAME	Department	Employee Number	Refund Amount	Termination Date	Notes
Anderson, Sandra	Human Services	61374	\$2,915.70	10/28/2013	
Bibbs, Camilla	YFD - HSD	65883	\$3,711.41	8/1/2013	automatic
Blackwell, Michael	Public Works	61538	\$5,410.06	12/31/2013	vested
Bostwick, Michele	Headstart	62003	\$2,094.06	11/14/2013	rollover
Cash, Joshua P.	Library	66774	\$845.97	9/21/2013	automatic
Douglas, Thomas E.	Public Works	70873	\$87.31	1/6/2014	
Fields, Melissa	Public Works	67118	\$439.57	8/2/2013	automatic
Glenn, Michael S	Police Parks	63125	\$2,935.52	10/31/2013	
Jordan, Randell S	Public Works	65989	\$2,073.62	8/19/2013	automatic
Kean, Andrew	Mayor office	71063	\$1,535.08	11/21/2013	rollover
Lowery, Lauren	ECD	69264	\$918.83	12/6/2013	
Moree, Jason	Public Works	68343	\$228.10	1/14/2014	
Mosley, Tracie	Public Works	69001	\$739.39	12/17/2013	
Nance, Joshua	Public Works	70934	\$246.70	9/3/2013	automatic
Nunley, Joshua	Public Works	66177	\$2,486.51	9/23/2013	automatic
Petty, Meghan	General Govt	67329	\$2,266.43	12/13/2013	
Ray, Jeffrey	Public Works	70695	\$342.33	9/5/2013	
Reece, Payton	YFD	56939	\$1,470.72	10/29/2013	
Williams, Sheila R.	General Govt	71282	371.17	1/17/2014	

**Return of deceased retiree basis**

Name	RETIREE NAME	Date of Death	Refund Amount	Notes
Kayla Moore	Janyce Anderson	9/13/2013	\$4,384.12	
Stanley C. Slatton	Fred Slatton	11/19/2013	\$1,386.18	

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total		70,687.75		FY2014
Cavanaugh Macdonald	13,294.00			Experience study
Cavanaugh Macdonald	4,556.00			Follow-up experience study
Cavanaugh Macdonald	1,440.00			Board requests for exp study reports
Gavion, LLC	25,000.00		12/31/2013	Investment consulting services
First Tennessee Bank	26,765.37		12/31/2013	Administrative expense
<b>COMPANY TOTAL</b>	<b>71,055.37</b>	<b>141,743.12</b>		

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

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	YTD		
Prior quarter total		128,079.11		FY2014
Patten & Patten	10,469.40		9/30/2013	Investment management fees
NWQ Investment	30,919.25		9/30/2013	Investment management fees
Insight	22,792.96		12/31/2013	Investment management fees
Kennedy Capital Management	14,641.00		12/31/2013	Investment management fees
Chartwell	7,188.04		12/31/2013	Investment management fees
SMH	23.77		12/31/2013	Investment management fees
Wedge Capital	31,387.70		12/31/2013	Investment management fees

<b>MANAGER TOTAL</b>	<b>117,422.12</b>	<b>245,501.23</b>
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**CITY OF CHATTANOOGA OPEB TRUST  
 ADMINISTRATIVE ACTIONS**

**PART II -- ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

COMPANY	AMOUNT PAID		QUARTER ENDING	PURPOSE
	THIS PERIOD	FYTD		
Prior quarter total		\$7,793.20		
First Tennessee	2,472.26		12/31/2013	Administrative Expense
<b>COMPANY TOTAL</b>	<b>2,472.26</b>	<b>\$10,265.46</b>		

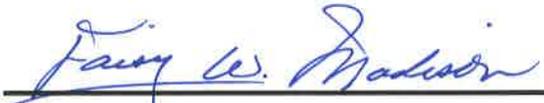
***Investment Managers -- Fees Paid***

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

**ACCOUNTS RECEIVABLE**

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

APPROVED:

  
Chairman

  
Secretary