

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

September 16, 2010

The regular meeting of the City of Chattanooga General Pension Plan was held September 16, 2010 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Terry Lamb, Dan Johnson, and Carl Levi. Others attending the meeting were Valerie Malueg, City Attorney's Office; Sharon Lea, City Personnel Office; Madeline Greene, City Benefits Office; and Teresa Hicks, First Tennessee Bank.

The meeting was called to order by Chairwoman Daisy Madison. A quorum was present.

The minutes of the meeting held August 19, 2010 were approved.

The following pension benefits and plan expenses were discussed for approval:

PART I – PARTICIPANT SUMMARY

SUMMARY OF PENSION APPLICATIONS-PENDING BOARD APPROVAL

<u>NAME</u>	<u>DEPARTMENT</u>	<u>TYPE/OPTION</u>	<u>MONTHLY AMOUNT</u>	<u>EFFECTIVE DATE</u>
Black, Paul	Public Works	Normal- No Option Elected	\$448.83	September 1, 2010
Evans, Linda	Human Services	Immediate Early- Option B	\$410.45	September 1, 2010
Greene, Marcia (One-Year DROP \$21,358.01)	Neighborhood Services	Normal- No Option Elected	\$1,705.38	September 1, 2010
Satterfield, Guy	General Government	Immediate Early- No Option Elected	\$1,458.29	September 1, 2010
Wiggins, Jerome	Public Works	Rule-of-80- No Option Elected	\$1,744.54	September 1, 2010

BENEFIT REVISIONS/CONVERSIONS-PENDING BOARD REVIEW/APPROVAL

<u>NAME</u>	<u>TYPE/OPTION</u>	<u>PREVIOUS AMOUNT APPROVED BY BOARD</u>	<u>REVISED AMOUNT</u>	<u>EFFECTIVE DATE</u>
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No Activity

SELECTION OF OPTIONAL BENEFIT REPORT – VESTED OR AGE 62 AND OLDER PARTICIPANTS

<u>NAME</u>	<u>OPTION</u>	<u>DATE</u>
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No Activity

DISABILITY BENEFIT REPORT

<u>NAME</u>	<u>MONTHLY DISABILITY BENEFIT AMOUNT</u>	<u>EFFECTIVE DATE</u>
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No Activity

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION-CHECKS PROCESSED)

<u>NAME</u>	<u>DEPARTMENT</u>	<u>EMPLOYEE NUMBER</u>	<u>TERMINATION DATE</u>	<u>REFUND AMOUNT</u>
Barton, Frank (Previously vested)	Public Works	60699	October 8, 2004	\$3,054.98
Chism, Derrica	Human Services	65798	July 14, 2010	247.46
Hagen, Dean	Police	64959	July 1, 2010	565.51
Shields, Donna	Human Services	63745	July 29, 2010	913.92
Williams, Timothy	Human Services	63102	July 23, 2010	574.18
Woughter, Victor	Public Works	60078	July 22, 2010	2,296.43
Green, Charles (Beneficiary of deceased retiree Elizabeth Green, died July 9, 2010, refund of remaining employee basis)				869.18
TOTAL				\$8,521.66

PART II – ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAID THIS PERIOD</u>	<u>FYTD</u>	<u>PURPOSE</u>
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No Activity

COMPANY TOTAL	\$0.00	\$40,361.22	
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INVESTMENT MANAGERS (does not include direct bill thru Custodian)

ATALANTA SOSNOFF	\$29,824.00	Investment management expense for period Ending September 30, 2010
NWQ INVESTMENT MGMT	\$22,710.56	Investment management expense for period Ending June 30, 2010

MANAGER TOTAL	\$52,534.56	\$139,727.66	
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ACCOUNTS RECEIVABLE

COMPANY

No Activity

REPORT OF ACCOUNT(S) PAID

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
THE HARTFORD	\$9,056.43		Long-Term Disability (50%) – August 10'
LTD TOTAL	\$ 9,056.43	\$21,139.38	

Approval of Minutes & Administrative Actions

The Board discussed approval of the minutes from the meeting held August 19, 2010. Mr. Johnson moved to approve the minutes and Ms. Reinsmidt made a second. The Board unanimously agreed.

Ms. Lea reported the General Pension and OPEB administrative actions for the month of August 2010. Mr. Johnson moved for approval and Mr. Lamb made a second. The Board unanimously agreed.

Report from Counsel

Ms. Malueg distributed and discussed the final CSG contract. The contract now includes identification language, which advises the Board of any key changes. Updated insurance provisions, right to audit language, and potential conflicts of interest are other items that have been added to the contract. Ms. Madison stated that the RFP needed to become part of the proposal and be kept with the contract in personnel files.

Ms. Reinsmidt moved to approve the updated CSG contract and Mr. Johnson made a second. The Board unanimously agreed.

Ms. Malueg brought up the definition of earnings under the General Pension Plan. A letter had been received from the Plan's actuary concerning this definition. Mr. Johnson stated that the letter basically stated that this would have a negligible impact on the plan. She stated that it was the City Attorney's recommendation that the Board adopt a definition more similar to the Fire & Police pension plan. The current definition of earnings includes all taxable income. Currently, total earnings under the general pension plan include base earnings, overtime, and longevity pay. The fire and police plan does not include overtime or longevity pay. Ms. Madison stated that she did not want to reduce the benefit of a participant unless it is clearly known. The board agreed not to change the current definition of earnings under the General Pension plan if it meant lowering a participants' benefit. Ms. Madison brought up changing the language of the contribution of an IOD period being based on the participants' annual base salary amount. Both Ms. Madison and Mr. Johnson stated that the contribution rate should be based on the participants' base pay prior to an IOD so that IOD payments can remain tax-free. Mr. Johnson stated that it would be a good idea to get a tax ruling from an attorney. Ms. Malueg stated that she would confer with Mr. McMahan. The Board agreed that during an IOD period, employee and employer should make contributions to the Plan based upon the base salary of the employee prior to an IOD. Ms. Malueg recommended the Plan also add a definition of base pay to the General Pension Plan charter.

Mr. Johnson moved to continue making contributions to the Plan based on 2% of base pay. Mr. Lamb made a second. The board unanimously agreed. This motion is temporary and depends on the upcoming ruling of the tax attorney.

Ms. Malueg recommended the Board also vote on adding authorization for the City Attorney to hire a tax attorney for legal services and to obtain an IRS ruling. Mr. Lamb made motion to approve and Mr. Johnson made a second. The Board unanimously agreed.

Board Discussion – Distressed Debt

The Board discussed distressed debt via conference call with CSG. Mr. Longfield stated this area has some interest due to the current environment. Banks willingness to lend to various creditors is not what it used to be.

Hedge funds distressed investing has better liquidity terms. The Plan currently has about 4% of its portfolio in hedge funds distressed investing.

Distressed real estate is private real estate trading at distressed levels. He referred to “loan to own.” Managers buy debt on the bank on commercial property with the idea that they are okay keeping the property with the price they pay.

Mezzanine debt/distressed debt are when managers buy distressed loans. These bonds are either in or near bankruptcy and may be trading at 30 cents on the dollar. A manager can come in and buy it at this price, renegotiate the debt structure, and come out with 50 cents on the dollar.

Mr. Lamb asked Mr. Longfield to elaborate on the Plan’s current exposure in the last two areas of distressed debt. He replied with less than 1% exposure in private equity (none in distressed debt) and none in distressed real estate. Ms. Madison asked how these topics compared to venture capital. Mr. Longfield stated that this is risky bonds versus risky stocks. In distressed debt, it is a lot less likely that you will be trading at zero. The returns in private equity can be north of 20%. The returns in distressed debt are in the 12 – 18% returns. He stated this outlook is better than the US Stock market. He recommended a 5 – 6% allocation in addition to the 4% that is already in distressed hedge funds (a total 10% allocation). This would be about a 10 – 12 million allocation. He suggested the Board try to make an allocation during 2010 to get a double digit return over the next couple of years. The board had more time to think about distressed real estate. The Board agreed to discuss these topics more and let CSG know what they decide to do.

Mr. Lamb stated he was uncomfortable with distressed debt and would rather see where the money will be taken from the portfolio before the rebalancing begins. The Board agreed to have another discussion with CSG before deciding anything and suggested that they come to the next meeting if they were ready to present their next quarterly report. Ms. Madison stated the Board has a fiduciary responsibility, yet they are also charging CSG to meet the overall rate of return for the portfolio.

The next board meeting was scheduled for October 21, 2010 at 8:45 a.m. in the J. B. Collins Conference Room.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary