

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

August 18, 2011

The regular meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on August 18, 2011 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Dan Johnson and Steve Perry. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; Robert Longfield and Scott Arnwine, Consulting Services Group; Madeline Green, Andrew Dunn and Douglas Kelley, City Personnel Department.

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

The minutes of the meeting held on June 16, 2011 were unanimously approved.

The following benefit and plan expenses were discussed and unanimously approved by the Board:

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>
George, Johnnie M. (Three-Year DROP-\$51,487.42)	Human Services	Normal- No Option Elected	\$1,217.63	July 1, 2011
Grasham, Phyliss P.	Police	Normal- No Option Elected	\$420.76	July 1, 2011
Hicks, Virginia	Finance	Normal- Option A	\$804.30	July 1, 2011
Jackson, Joan T. (Beneficiary of participant Wilma Akridge-died July 8, 2011)		Normal- Option A	\$594.30	July 8, 2011
Johnson, Deborah D. (Formerly vested)	Airport	Immediate Early- Option D	\$1,707.46	July 1, 2011
Johnson, Roderick (One-Year DROP-\$14,714.19)	Public Works	Rule of 80- Option C	\$1,094.74	July 1, 2011
Jordan, Sandra E.	Human Services	Normal- No Option Elected	\$325.50	July 1, 2011
Knowles, Alma	Planning	Normal- Option A	\$1,083.75	August 1, 2011
Skillern, Glorius	Human Services	Normal- Option E	\$467.10	August 1, 2011
Thornton, Juliette	Neighborhood Services	Normal- Option A	\$1,239.24	August 1, 2011
Toney, Harris E.	Parks & Recreation	Immediate Early- Option E	\$926.86	June 1, 2011

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>
Allen, Cassandra	Option B	June 29, 2011
Black, Sherry	Option B	August 15, 2011
Coleman, Paula	Option B	July 13, 2011
Erlandson, Jeffrey	Option B	June 13, 2011
Gibbs, Melanie	Option B	July 29, 2011
Harris, Richard	Option B	July 26, 2011

DISABILITY BENEFIT REPORT

<u>NAME</u>	<u>MONTHLY DISABILITY BENEFIT AMOUNT</u>	<u>EFFECTIVE DATE</u>
Clark, Tawanna (job-related)	\$1,721.23	March 15, 2011
Kidd, Sarah (non-job related)	\$1,487.54	July 1, 2011

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>
Balsler, Melissa	Police	67021	June 15, 2011	\$168.57
Borski, Robert	Finance	64836	June 17, 2011	\$1,898.77
Burch, Douglas	Public Works	67124	May 23, 2011	\$158.57
Card, Randall	Public Works	65882	June 30, 2011	\$913.11
Cheek, Elizabeth	Parks & Recreation	56532	May 13, 2011	\$2,923.02
Davis, Richard	Public Works	67216	May 23, 2011	\$111.58
Eller, Brandie	Parks & Recreation	66113	April 8, 2011	\$451.53
Erskine, Valerie	Human Services	65617	May 19, 2011	\$397.95

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION-CHECKS PROCESSED) – cont.

<u>NAME</u>	<u>DEPARTMENT</u>	<u>EMPLOYEE NUMBER</u>	<u>TERMINATION DATE</u>	<u>REFUND AMOUNT</u>
Freeman, Charles	Public Works	60566	May 23, 2011	\$3,321.37
Goins, Timothy	General Government	66974	June 30, 2011	\$402.21
Johnson, Brandon	Parks & Recreation	56669	June 24, 2011	\$1,322.41
Privette, Greg	Public Works	66434	June 4, 2011	\$246.66
Rankin, Richard	Public Works	67125	April 7, 2011	\$63.15
Rogers, Lisa Ann	Human Services	64939	May 20, 2011	\$473.38
Underwood, Donnie	Public Works	66904	July 12, 2011	\$303.62
Vasek, Donnavon	Parks & Recreation	66306	July 14, 2011	\$449.52
Westfield, Lisa	Human Services	55278	July 28, 2011	\$2,064.56
Brazeal, Linda (Refund of remaining employee basis – retiree Thelma Wilson died June 26, 2011)				\$128.83
Gorman, Donald (Refund of participant contributions – vested participant Susan Gorman died July 27, 2011)				\$1,729.75
TOTAL				\$17,528.56

PART II – ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
CITY OF CHATTANOOGA	\$81.25	\$81.25	Reimburse the Finance Department – Board lunch on June 16, 2011
CONSULTING SERVICES GROUP	\$17,961.25	\$17,961.25	Professional services for the quarter ending June 30, 2011
FIRST TENNESSEE BANK	\$25,722.20	\$25,722.20	General Pension Plan expense for quarter ending June 30, 2011
NEATHAWK, DUBUQUE & PACKETT	\$1,950.00	\$1,950.00	CMA License & Web Hosting Fee – FY 2011
COMPANY TOTAL	\$45,714.70	\$45,714.70	

INVESTMENT MANAGERS

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
ATALANTA SOSNOFF	\$36,219.00	\$36,219.00	Investment management expense for quarter ending June 30, 2011
DUFF & PHELPS	\$12,736.00	\$12,736.00	Investment management expense for quarter ending June 30, 2011
INSIGHT	\$15,671.78	\$15,671.78	Investment management expense for quarter ending June 30, 2011
PATTEN AND PATTEN	\$9,482.79	\$9,482.79	Investment management expense for quarter ending June 30, 2011
SMH CAPITAL ADVISORS	\$7,975.62	\$7,975.62	Investment management expense for quarter ending June 30, 2011
WEDGE CAPITAL	\$22,357.09	\$22,357.09	Investment management expense for quarter ending June 30, 2011
MANAGER TOTAL	\$104,442.28	\$104,442.28	

ACCOUNTS PAYABLE – INVESTMENT MANAGERS (REVISION)

No Activity

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>	<u>PURPOSE</u>
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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	\$8,805.08		Long-Term Disability (50%) – July 2011
THE HARTFORD	\$8,770.70		Long-Term Disability (50%) – August 2011
LTD TOTAL	\$17,575.78	\$17,575.78	

OPEB TRUST

PART I – ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
FIRST TENNESSEE BANK	\$2,405.10		Custodial services for quarter ending June 30, 2011
COMPANY TOTAL	\$2,405.10	\$2,405.10	

INVESTMENT MANAGERS

ATALANTA SOSNOFF	\$4,568.00		Investment management fee for quarter ending June 30, 2011
MANAGER TOTAL	\$4,568.00	\$4,568.00	

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	

No Activity

Administrative Issues

Daisy Madison discussed the June 16, 2011 Board action to approve the transfer of up to \$4,000,000 from fixed income to cover benefit payments and miscellaneous expenses each quarter. The action was approved for the fourth quarter of 2011 as needed with the assistance of Consulting Services Group.

Consulting Services Group

Robert Longfield and Scott Arnwine presented the second quarter performance review to the Board. Mr. Longfield reported that the 23.4% increase in the total fund in the past year placed the Plan in the top ten percent of all public sector pension plans of similar size in the nation. Second quarter concerns were the

continuing stock market volatility, interest rates and the European debt crisis. The outlook continues to be for slow economic growth resulting in high unemployment rates. Based on these factors, the portfolio now includes more global and corporate bonds. This is reflected in the increase of 9.7% in the past year of total fixed income. There are no recommendations for asset allocation changes.

Daisy Madison noted there has been a 4.1% increase in the market value of the General Pension Plan for the past five year. She inquired as to the trend for the actuarial assumption. Mr. Longfield stated that in comparison with other public plans, the actuarial assumption of 7.75% is not overly aggressive. The outlook for equities over the next three to five years is low double digits. The outlook for domestic fixed income is around 3%. He stated it would be ideal if the Plan could afford to lower the actuarial assumption by 25 basis points to 7.5%.

Mr. Arnwine discussed the performance of the managers. Large cap equity managers outperformed small cap equity managers (growth outperformed value – international outperformed the United States). Some of the managers were positioned for continued slow growth. NWQ INVESTMENT MANAGEMENT invested heavily in energy (drop in oil prices) and materials resulting in returns below their benchmark. WEDGE CAPITAL had a very strong quarter (increase of 2.2% - 10.9% for the past year) due to consumer product and financial investments that performed well. The small cap equity managers went through a difficult quarter. However, INSIGHT CAPITAL has performed well (increase of 54.5%) within the past year. Fixed income was a big plus for the Plan.

Mr. Longfield discussed ATALANTA SOSNOFF. The company performed well in 2008. However, underperformance continues for the past few quarters. The recommendation of Consulting Services Group is to terminate ATALANTA SOSNOFF as a manager for the Plan, move the funds to a corresponding index fund - benchmark Russell 1000 growth and begin a search for a new small cap manager - Russell 2000 index fund. Dan Johnson made the motion to approve with a second by Katie Reinsmidt. The Board unanimously approved the action.

OPEB Trust

Robert Longfield reviewed the performance of the OPEB fund. The fund increased by 18.2% during the past year (investing slowly). The recommendation is to also terminate ATALANTA SOSNOFF as an OPEB manager. After termination of ATLANTA SOSNOFF, Mr. Longfield recommended moving the funds to the following:

- \$1,000,000 – Russell 1000 Growth
- \$1,000,000 - NWQ INVESTMENT MANAGEMENT
- \$1,000,000 - Fixed Income (authorize First Tennessee in buy RIDGEWORTH SEIX high yield fund)

Steve Perry made the motion to approve these actions and was seconded by Dan Johnson. The Board unanimously approved.

The next Board meeting is scheduled for November 17, 2011 at 8:30 a.m. in the J.B. Collins Conference Room.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary