MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

April 17, 2008

The regular meeting of the City of Chattanooga General Pension Plan was held April 17, 2008 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Dan Johnson, and Terry Lamb. Others attending the meeting were Jeff Claxton, City Benefits Office; Sharon Lea, City Personnel Office; Michael McMahan, Nelson, McMahan & Noblett; Teresa Hicks, First Tennessee Bank; and Graham Schmidt; EFI Actuaries.

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

The minutes of the meeting held March 20 and 26, 2008 were approved.

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

ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAYABLE THIS PERIOD	YTD	SERVICES RENDERED
No Activity			

INVESTMENT MANAGERS

ATALANTA SOSNOFF	$38,070.00	$110,258.00	Investment management expense for period ending March 31, 2008.
INSIGHT CAPITAL	$18,201.62	$53,797.11	Investment management expense for period ending December 31, 2007.
MANAGER TOTAL	$56,271.62	$164,055.11	

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED THIS PERIOD	YTD	PURPOSE
No Activity			

REPORT OF ACCOUNT (S) PAID

MUTUAL OF OMAHA (Long-Term Disability)	$9,478.83	$85,252.61	Premium for March 2008

MISCELLANEOUS ITEMS

NAME	TRANSACTION
No activity	

Discussion/Approval of OPEB Investment Policy

Mr. McMahan handed out a draft form of the Statement of Investment Objectives for the OPEB Trust for the Board to review. This will be acted on and discussed in the meeting in May, 2008 with CSG. He stated that recent legislature enacted this year has stated that our Trust can have the same investment objectives as the Tennessee Consolidated Retirement System. This will go into effect July 1, 2008.

January 1, 2008 Actuarial Presentation – Graham Schmidt

Graham Schmidt with EFI Actuaries gave a brief presentation to the Board of the General Pension Plan Actuarial Valuation as of January 1, 2008. The summary results are also available upon request from the Personnel department.

Mr. Schmidt stated that the City of Chattanooga General Pension Plan has had the most stable costs out of any of his clients of the last five years. The Plan cost has decreased slightly as a percentage of active members' payroll from 6.36% to 6.31%, but increased as a dollar amount from $3.4 to $3.5 million due to an increase in payroll. Mr. Schmidt described the reasons for the change in Plan cost, which included demographic gains, salary gains, new entrants, changes in disability payments, and investment gains.

The cost of the Plan was computed using a five-year asset value smoothing method. This method spreads the recognition of investment gains and losses over five years. For January 1, 2008, the actuarial value of 8.7% of assets (AVA) is now below the market value of just over 12% (MVA). This serves as a buffer for slight investment losses over the next few years. Mr. Schmidt stated that as long as the Plan returned around 4 – 5% on a market basis this year, an increase in costs from investments would not be seen because the Plan has deferred gains that would bring an actuarial return on assets back up to 7.75%. Mr. Schmidt spent the next few moments discussing the plan provisions, member statistics, and assumptions used in the valuation.

Mr. Schmidt brought up an issue dealing with disclosure of liabilities in the private sector. He stated that this practice is expected to soon make its way to the public sector. He stated that pension payments look like a bond because they are somewhat predictable and secure, so the market would price them this way. Private sector plans are required to disclose and fund their plans based on a risk-free yield curve. The public sector does not do this yet. A committee, within the Academy of Actuaries, called the Pension Practice Council, is considering releasing a statement in support of public plan disclosure. He stated that if this disclosure were in effect, our Plan's funded ratio would drop from 104% down to 64%. He then stated that there were actuaries that would also like to see plans funded based on these discount rates. If so, our Plan's contribution rate would go from 6% of pay to about 32% of pay.

Ms. Madison referred to the General Pension Plan's DROP and asked Mr. Schmidt to expand on the subject. Mr. Schmidt stated that it was more like a "PLOP" (Partial-Lump Sum-Option-Plan). This is a piece of the participant's benefit annuity turned into a lump sum payment. A DROP allows a participant to choose the most advantageous retirement date. He stated that he would allow the Board material from past studies he has done on various drop plans. Also, he advised the Board that an experience study is due in 2009.

The next board meeting was scheduled for Wednesday, June 4, 2008 at 2:00 p.m. in the J.B. Collins Conference Room.

There being no further business, the meeting was adjourned.

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Chairman

APPROVED:

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Secretary