

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

August 21, 2008

The regular meeting of the City of Chattanooga General Pension Plan was held August 21, 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 Valerie Malueg, City Attorney's Office; Jeff Claxton, City Benefits Office; Sharon Lea, City Personnel Office; Teresa Hicks, First Tennessee Bank; Pat Cox, Consulting Services Group; Scott Arnwine, Consulting Services Group; Yoon Lee; Consulting Services Group; and Todd Gardenhire, SmithBarney.

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

The minutes of the meeting held July 17, 2008 were approved.

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

PART I - ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAYABLE</u>		<u>SERVICES RENDERED</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
FIRST TENNESSEE BANK	\$26,262.88	\$26,262.88	Professional services for the period ending June 30, 2008
 <u>INVESTMENT MANAGERS</u>			
DUFF & PHELPS	\$16,924.00	\$16,924.00	Investment management expense for Period ending June 30, 2008
INSIGHT CAPITAL	\$18,626.49	\$18,626.49	Investment management expense for Period ending June 30, 2008
PATTEN & PATTEN, INC.	\$9,022.45	\$9,022.45	Investment management expense for Period ending June 30, 2008
SMH CAPITAL ADVISORS	\$7,339.84	\$7,339.84	Investment management expense for Period ending June 30, 2008
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MANAGER TOTAL	\$51,912.78	\$51,912.78	

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
No Activity			

REPORT OF ACCOUNT (S) PAID

No Activity

MISCELLANEOUS ITEMS

<u>NAME</u>	<u>TRANSACTION</u>
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No Activity

Thornburg Asset Management Review – CSG

Thornburg, founded in 1982 in Santa Fe, New Mexico, is 100% employee owned with \$51.9 billion assets under management. Mr. Arnwine discussed the international market over the past couple of years and how Thornburg has capitalized on that information. Two areas of key success has been the impact of emerging markets and growth versus value.

The investment philosophy of Thornburg consists of investing in promising companies when selling at a discount to intrinsic value. They use a bottom-up approach and divide their value stocks into three categories: Basic value, Consistent Earners, and Emerging Franchises. They also focus on “real returns”.

Their investment process consists of using quantitative screens for idea generation on valuation and fundamental change, using quantitative models for calculating intrinsic value, and researching through financial analysis, collaborative research, and company visits. The most attractive companies are evaluated through the three value categories. A portfolio is constructed with an average of 45-55 stocks with individual position sizes from 1.5 – 3.5%, properly diversified, and sold if certain parameters are met.

2nd Quarter Performance Review - CSG

Pat Cox reviewed the 2008 second quarter performance for the Plan. He briefly reviewed the investment policy manual with all things in compliance and performance in the longer time periods doing well. For the quarter, the total fund is up 60.0 basis points. Mr. Cox also reminded the Board that the Plan’s performance ranked in the top quartile of the universe for the quarter for public plans from J.P. Morgan. Mr. Cox and Mr. Arnwine then spent some time discussing the various managers and their investment performances versus their indices. For the quarter, the total fund is down about 7.0% from October 2007. Diversification has helped mitigate some of the losses seen from the global equity markets overall. Mr. Cox also discussed bringing in a new international equity manager to compliment Thornburg in the future. Mr. Johnson referred to SMH and their consistent underperformance. SMH had three companies in their portfolio that were in the real estate market that are currently in the work-out phase. These depreciate in the portfolio, but are kept on a lower allocation.

Report from Counsel

Valerie Malueg, with the City Attorney’s Office, stated that Nuveen did not receive the authorized resolution for OPEB. Ms. Madison read the resolution to the Board. Mr. Lamb made a motion to approve the resolution and Mr. Johnson made a second. The Board unanimously agreed.

Education Day Discussion

The last education day was held in December, 2007 and was a half day seminar. Mr. Cox discussed several different options that could be discussed. He also stated that CSG could start an email to circulate topic choices. Ms. Madison requested about thirty minutes be devoted to the management of the OPEB fund. The Board agreed on a half-day seminar, possibly in January.

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The next board meeting was scheduled for Thursday, September 18, 2008 at 8:45 a.m. in the J.B. Collins Conference Room.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary