

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

October 24, 2008

The regular meeting of the City of Chattanooga General Pension Plan was held October 24, 2008 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Terry Lamb (arrived during meeting), Dan Johnson, and Carl Levi. Others attending the meeting were Donna Kelley, City Personnel Office; Jeff Claxton, City Benefits Office; Sharon Lea, City Personnel Office; Michael McMahan, Nelson, McMahan & Noblett; Teresa Hicks, First Tennessee Bank; Pat Cox, Consulting Services Group; Scott Arnwine, Consulting Services Group; and Randy Burns, City Council Office. The following City Council members were present: Council Vice Chairperson Benson, Council Member Berz, and Council Member Rico. Council Member Page listened by conference phone.

The meeting was called to order by Chairwoman Daisy Madison. A quorum was not present.

The minutes of the meeting held September 18, 2008 were held for approval at meeting-end.

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>
	THIS PERIOD	YTD	
CONSULTING SERVICES GROUP	\$16,454.00	\$32,629.75	Professional services for period ending September 30, 2008

INVESTMENT MANAGERS

ATALANTA SOSNOFF	\$33,300.00	\$33,300.00	Investment management expense for period ending September 30, 2008
SMH CAPITAL	\$6,461.17	\$13,801.01	Investment management expense for period ending September 30, 2008
WEDGE CAPITAL	\$32,936.60	\$32,936.60	Investment management expense for 2 nd and 3 rd quarters, 2008.

MANAGER TOTAL	\$72,697.77	\$80,037.61	
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ACCOUNTS RECEIVABLE

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

REPORT OF ACCOUNT (S) PAID

MUTUAL OF OMAHA (Long-Term Disability)	\$28,864.66	\$38,551.12	Premiums for July, August, & September 2008
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MISCELLANEOUS ITEMS

NAME

TRANSACTION

No Activity

Administrative Issues – Jeff Claxton

Mr. Claxton discussed two administrative issues with the Board that the Personnel Office had been working on.

The first issue involved a deceased retiree, Jessie Husband and continued benefits that the Plan's custodian, First Tennessee, had reported on three separate occasions. An overpayment of benefits in the amount of \$11,230.29 had been made since October of 2007. The Personnel Office stopped payments to Mr. Husband effective October 1, 2008 by advice of Mr. McMahan after confirming Mr. Husband's death thru Lexis Nexis records. The Board agreed to let Mr. McMahan review Mr. Husband's file and determine what the next steps would be.

The second issue involved an invoice that Three H-D sent to the Personnel Office in the amount of \$7,020.00. This amount covered hosting fees for September 2005 thru September 2009 for the pension web site. Three H-D discovered that the hosting of the web site had never been billed, but had been approved at the time of the site launch. Mr. Claxton requested Board approval to pay this invoice.

CSG – Market and Performance Review – Pat Cox, Scott Arnwine

Mr. Cox gave a brief overview of market performance and discussed history since the firm came on-board in 2003. In the late 90's, credit was made more available to expand home ownership in the United States. The qualification standards for credit were also lowered, creating consumer and investor greed. This provided for improved real estate and equity markets through 2002. Lower credit rates were accepted, allowing for sub-prime mortgages. The government and other entities pooled these mortgages together and sold them to Wall-Street. Also, rating agencies put very high ratings on these securities. Property prices came down, and investors were buying up large amounts of these securities with borrowed money, creating a huge amount of leverage on the market. As people try to sell these securities, the prices are marked down to market (mark-to-market). This caused demise and stress on financial firms and markets. Mr. Cox also discussed global government intervention recently placed into action including global banks injecting massive liquidity into global markets, some firms being sold or taken over, the \$700 billion Treasury Asset Relief Program (TARP), global coordination of Federal Rate cuts, and the Global ban on short-selling.

Mr. Arnwine spent a few moments discussing the credit crunch timeline leading up to the September 08' financial crisis.

Mr. Cox stated that if the Board were still invested at 70% Equities in this timeframe, then it is possible that the Board would have performed better. In an upward moving market, our diversifications hurt us. He then pointed the Board to the static index, which was in 65% equities and 35% bonds. The Board outperformed this in each of these. Mr. Cox stated that overall the portfolio was down 16.3%, or 47 Million since September 2008. The Board had very little exposure on the equity side.

Mr. Cox stated that in the long term, he thought the Board would recover in the equity markets. In the short term, he stated that unemployment would rise, property values would decrease, and uncertainty and volatility would continue. With the long term goals in mind, he recommended the Board stay the course, weather the storm, and continue to look for future opportunities.

Administrative Actions - Continued

The Board approved the previously discussed minutes, administrative actions, and the Three H-D invoice for payment.

Report from Counsel – Mike McMahan

Mr. McMahan stated that Bill Robinson, Counsel for the Fire and Police Fund, went to a meeting where the IRS was present this past summer. The IRS was very concerned about governmental pension plans and is thinking about auditing them. They were asking governmental plans to submit their plans to be approved.

Our Plan is a pure Defined Benefit Plan, except we have three highly paid employees who get time and half credited service for the time they are in office: the Mayor and the two City Judges. The Council Members, who are not highly paid, also get time and half for their credited service. Within the IRS confines, you are not supposed to give highly paid or elected employees preferential treatment. Mr. McMahan stated that he would submit our Plan if the Board wanted him to. Mr. Johnson stated that the Board should wait.

CSG –3rd Quarter 2008 Performance Review – Pat Cox, Scott Arnwine

Mr. Cox briefly discussed the third quarter performance for 2008. From a compliance standpoint, he stated that the Board was in allocation. The total fund was down 10.9% for the quarter and 16.3% for the year. He spent a few moments discussing manager performance for the quarter, along with year to date information. He stated that the Plan was ahead the five-year benchmark in performance in international equity and hedge funds. Once again, he stated that CSG recommended the Board stay the course with the current action plan in place.

The next board meeting was scheduled for Thursday, November 20, 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