

**MEETING OF THE TRUSTEES**

**CITY OF CHATTANOOGA GENERAL PENSION PLAN**

**November 19, 2009**

The regular meeting of the City of Chattanooga General Pension Plan was held November 19, 2009 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Bettye Lynn Smith, Dan Johnson, and Terry Lamb. Others attending the meeting were Valerie Malueg, City Attorney's Office; Pat Cox, Consulting Services Group; Scott Arnwine, Consulting Services Group; Sharon Lea, City Personnel 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 October 15, 2009 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>
	THIS PERIOD	YTD	
FIRST TENNESSEE BANK	\$24,103.32	\$49,118.68	Professional services for period ending September 30, 2009

**INVESTMENT MANAGERS**

DUFF & PHELPS	\$13,013.00	\$22,703.00	Investment management expense for period ending September 30, 2009
PATTEN & PATTEN	\$8,117.53	\$15,614.89	Investment management expense for period ending September 30, 2009
PRUDENTIAL	\$12,059.98	\$13,384.23	Investment management expense for period ending September 30, 2009

MANAGER TOTAL	\$33,190.51	\$51,702.12	
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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)	\$9,067.42	\$54,854.46	Long Term Disability (50%) – November 09
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## **MISCELLANEOUS ITEMS**

### NAME

### TRANSACTION

No Activity

Mr. Cox brought the Board's attention to an amendment for the Prudential Investment Grade Bond Fund to allow investment management fees to be paid straight out of the fund, rather than have payments wired from the custodian. Mr. Johnson moved to approve this amendment, and Ms. Reinsmidt made a second. The Board unanimously agreed. Ms. Malueg stated that she would need confirmation of the fee structure with Prudential.

### 3<sup>rd</sup> Quarter Review, Investment Manager Performance – Pat Cox, Scott Arnwine

Mr. Cox stated that the total fund was up 4% for the trailing five years, which has been a very difficult time period for equities as demonstrated by the S&P 500 return of 1.0% over the same time period. The major asset classes throughout the portfolio have outperformed their relative objectives over the five year period. While small cap has trailed by 1.3%, large cap equity, international equity, hedge funds and fixed income have outperformed their benchmarks by 1.1%, 3.3%, 2.1% and 0.1% respectively over the trailing five years. He also stated that the Fixed Income portfolio diversification guideline was currently set at 20% maximum BBB or lower which is addressed below as an action item. The Plan is currently holding around 26% BBB, due to Brandywine adding investment grade credit exposure.

Returns ranged from 16-17% in the global equity portfolio for the quarter. The fixed income portfolio, which benefited from the global rebound, was up 16% year to date compared to the benchmark return of 5.7%. Ironwood, part of the hedge fund portfolio, was up almost 15% for the year. In aggregate, Large Cap Equities, Real Estate allocations, and total fixed income are in the top quartile for year to date performance.

Mr. Arnwine stated that most managers performed very well compared to their markets. The Board spent several minutes discussing the performance of equity, alternative, and fixed income managers. Mr. Cox referred the Board to a performance review of the Plan since CSG had been involved with the Plan. Across the board, there have been excess returns versus the static index for the total fund. Year to date, there has been a 10.85% excess return over the actuarial rate of return of 7.75%. He stated that the Plan has placed in the top quartile and top half of pension plan universes consistently most years since 2003.

Mr. Cox stated that the current investment policy statement allowed for no more than 20% in BBB investment grade. He stated that this policy was put in place before the Plan included high yield or Brandywine was part of the portfolio. He recommended that this portion of the investment policy statement be amended to state that no more than 20% of the fixed income portfolio be invested in below BBB. The Board agreed to vote on the revised policy at the next board meeting.

### OPEB Discussion

Ms. Madison stated that the Board should discuss the OPEB account for purposes of the minutes. Year to date, the total fund was up about 12%, with most asset classes up over 20% for the nine month period. Mr. Cox stated that the plan was funded at the start of the turmoil and the plan benefited from being patient. Ms. Madison stated that she would like to see a quarterly report for OPEB.

### Consultant RFP Update

Ms. Malueg stated that she had been working with Todd Gardenhire on the Consultant RFP. She distributed a rough copy of the RFP to the Board, with a Chattanooga list of investment firms. She also stated that the RFP would be placed in a national database with approval of the Board. She stated that the RFP would not be limited to Chattanooga area firms. Mr. Lamb requested the Board's final approval of the Consulting Services RFP on behalf of the committee, with all amendments included. Mr. Johnson moved

to approve, and Mr. Lamb seconded. The Board unanimously agreed. Ms. Malueg stated that she would work with Mr. Gardenhire to get the RFP set up in a national database and work with Purchasing to get the RFP process started.

Cost of Living Adjustment 2010

Ms. Madison stated that the Social Security Administration recently decided not to allow an annual cost-of-living adjustment for 2010. Mr. Johnson stated that the General Pension Plan is one of two Plans with the City, the other being the Fire and Police Pension Plan. There will be a cost-of-living increase with the Fire and Police Pension Plan, and we should not discriminate against other City employees.

Custodial RFP Update

Ms. Malueg stated that the Custodial RFP has been drafted and should be ready for distribution next month.

Horton – GPP Benefits

Ms. Malueg reported an employee with the City who was recently reinstated on December 2, 2008. He was originally hired by the City on April 2, 1992 and was terminated on December 2, 2008. On April 6, 2009, an appeal of that termination was heard by a panel of the Chattanooga City Council. Following the appeal, Mr. Horton was reinstated effective December 2, 2008. He requested and received a refund of his total General Pension Plan contributions, and was given two weeks to repay this amount for his benefits to be reinstated. Mr. Horton has stated that he is unable to repay the Plan and does not wish to in the future.

An agreement between the City of Chattanooga and Maurice Horton, Jr. was presented to the Board for approval by Ms. Malueg. It stated that Mr. Horton waived any right to any General Pension Plan refund benefits prior to his reinstatement on December 2, 2008. Also, his participation in the Plan shall commence on the date of his reinstatement, December 2, 2008, and shall remain a participant as long as he continues to be an employee of the City of Chattanooga, as required by Chattanooga City Charter, Section 3.38. A copy of the agreement will be placed in Mr. Horton's personnel file.

The next board meeting was scheduled for December 17, 2009 at 8:45 a.m. in the City Hall Finance Conference Room.

There being no further business, the meeting was adjourned.

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Chairman

APPROVED:

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Secretary