

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

February 18, 2010

The regular meeting of the City of Chattanooga General Pension Plan was held February 18, 2010 at 8:45 a.m. in the City Hall Finance Conference Room. Trustees present were Daisy Madison, BettyeLynn Smith, Terry Lamb, and Dan Johnson. Others attending the meeting were Robert Longfield, Consulting Services Group; Scott Arnwine, Consulting Services Group; Valerie Malueg, City Attorney's Office; Donna Kelley, City Personnel Office; Sharon Lea, City Personnel Office; Teresa Hicks, First Tennessee Bank; and Todd Gardenhire, SmithBarney.

The meeting was called to order by Chairwoman Daisy Madison. A quorum was obtained upon Ms. Smith's arrival.

The minutes of the meeting held January 21, 2010 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	\$25,171.01	\$74,289.69	Custodial service for period ending December 31, 2009

INVESTMENT MANAGERS

DUFF & PHELPS	\$14,292.00	\$36,995.00	Investment management expense for period ending December 31, 2009
PRUDENTIAL	\$13,691.45	\$27,075.68	Investment management expense for period ending December 31, 2009

MANAGER TOTAL	\$27,983.45	\$64,070.68	
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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)	\$9,063.61	\$72,989.07	Long Term Disability (50%) – January 10 ³
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MISCELLANEOUS ITEMS

NAME

No Activity

Since a quorum was obtained later in the meeting, the Board deferred approval of administrative actions until the end of the meeting.

CSG – 4th Quarter 2009 Performance Review

Mr. Longfield gave a brief update of the 4th quarter performance results to the Board. The total fund was up about 23% since January 1, 2009. He was pleased with the traditional asset class performance, which included large cap equity managers being up 31.5% and the total fixed income portfolio being up about 18%.

The market bottomed in March 2009 and rebounded sharply since then. GDP was strongly negative in the 1st quarter and got more and more positive as the year went along. 4th quarter GDP was 5.7%, even though a large part involved a one – time issue: inventory build-up. Currently, GDP growth is around 2.5%. He stated that they were positive about the markets, but did not think they would improve

until unemployment improved with GDP growth around 2 to 3%. He stated that the Plan is currently back to the point it was in the summer of 2008, but not quite at the beginning of the recession.

He then discussed the recent decision that Pat Cox made to move to another employer, St. Judes. Mr. Longfield would be taking over as the primary lead on the City's account.

Mr. Johnson stated that Insight Capital seemed to be out of line. Mr. Longfield stated that they were top quartile for the trailing 5 years, but missed out this year. He stated that CSG recommended stepping off when they have their next big rally.

Mr. Arnwine discussed the manager review to the Board. The equity managers have performed well for the quarter. Under fixed income, SMH is up 84% for the year. SEIX is up 36% for the year. Prudential, the newest manager, has also had a strong quarter. Brandywine has also had a strong quarter. Patten & Patten, NWQ, THB, SMH, and Brandywine were the five top quartile managers. SEIX, a higher quality manager, will show more outperformance.

Due to being overweight in fixed income and underweight in equities, he made the following recommendations to the Board:

- Pull 1 M from SMH
- Pull 2 M from Duff & Phelps
- Sell all Northern Trust Inter. G/C Index
- Add 4 M to Atalanta Sosnoff
- Add 5 M to Thornburg
- (Remaining to be rolled into cash account)

Mr. Lamb made motion to approve the recommendation made by CSG and Mr. Johnson made a second. The Board unanimously agreed.

Report from RFP Committee

Mr. Gardenhire stated that all responses were looked at by the committee and follow-up letters were sent out to all of the companies. Mr. Johnson stated that he would like for the committee to come back to the Board with at least two companies for the Board to interview. This selection should be completed by the next Board meeting. Ms. Madison stated that if the committee needed more time to review the managers, that it would be fine. She thanked the committee for working on this project.

Report from Counsel

Ms. Malueg stated the Custodial Agreement with First Tennessee Bank has been completed and signed and now takes their services thru June 30, 2010. The RFP for Custodial Services, which was distributed at the last Board meeting, was still open for comment and change.

Ms. Malueg referred to a discussion from the last Board meeting. She stated she was still working on obtaining a legal opinion concerning contributions made on behalf of employees activated for extended military leave. Ms. Kelley then brought the Board's attention to the Uniformed Services Employment and Reemployment Rights Act (USERRA), which was enacted in February of 2001. The City changed its budget ordinance during this year to pay the employee contributions in accordance with the act. Ms. Malueg stated that she received a copy of this act and will review it in more detail.

Board Discussion

Ms. Kelley brought forth to the Board an issue concerning the "untouchables". This group includes an older group of retirees whose benefits are carried under Cariten. The City received notification from Cariten that they would no longer administer this plan. BlueCross BlueShield has agreed to carry this group of retirees with the same plan. She stated that she would report the cost when she receives it.

OPEB Board Discussion

Ms. Madison brought an issue to the Board concerning Other Post Employment Benefits (OPEB). She said as part of the employees' benefits package, health insurance is offered at retirement. She stated that the City is now required to account for OPEB dollars on an accrued basis during the active employment of an individual. This will cause an accumulation of liability over the years on the books. She stated that she was going to present some options to City Council to curbe this cost, which would include discontinuing benefits past Medicare eligibility age and requiring eligible retirees to carry Blue Advantage (Medicare Supplement Plan).

The next board meeting was scheduled for March 18, 2010 at 8:45 a.m. in the City Hall 1st Floor Finance Conference Room.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary