

## MEETING OF THE TRUSTEES

### CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 17, 2011

The regular meeting of the City of Chattanooga General Pension Plan Board of Trustees was held on November 17, 2011 at 8:30 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Dan Johnson, Terry Lamb and Steve Perry. Others attending the meeting were Valerie Malueg, City Attorney's Office; Steve McNally and Teresa Laney, First Tennessee Bank; Scott Arnwine, Consulting Services Group; Madeline Green, Andrew Dunn and Douglas Kelley, City Personnel Department; Todd Gardenhire, Morgan Stanley Smith Barney.

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

The minutes of the meeting held on August 18, 2011 were unanimously approved.

The following benefit and plan expenses were discussed and unanimously approved by the Board:

#### PART I – PARTICIPANT SUMMARY

##### SUMMARY OF PENSION APPLICATIONS

<u>NAME</u>	<u>DEPARTMENT</u>	<u>TYPE/OPTION</u>	<u>MONTHLY AMOUNT</u>	<u>EFFECTIVE DATE</u>
Allen, Cassandra	Library	Normal-Option D	\$1,119.19	September 1, 2011
Bass, Tony E. (Three-Year DROP - \$94,898.03)	Public Works	Rule of 80- Option B	\$2,128.31	November 1, 2011
Cole, Byron	Fire	Normal Option B	\$603.32	November 1, 2011
Cutter, William S.	Police	Normal-Option B	\$943.53	September 1, 2011
Feathers, Sharon D.	Police	Normal-Option A	\$1,202.14	November 1, 2011
Lowery, Vivian	Police	Rule of 80- No Option Elected	\$2,635.75	November 1, 2011
Officer, Leonard C.	Public Works	Normal-Option E	\$452.27	September 1, 2011
Page, Paul	General Services	Normal- No Option Elected	\$962.43	October 1, 2011
Parrish, Deborah	Library	Rule of 80- No Option Elected	\$1,331.13	September 1, 2011
Skinner, Charles E.	Parks & Recreation	Normal- No Option Elected	\$1,278.72	September 1, 2011
Smith, Wanda J. (Formerly Vested)	Human Services	Immediate Early- No Option Elected	\$601.67	October 1, 2011

**SUMMARY OF PENSION APPLICATIONS (cont.)**

<u>NAME</u>	<u>DEPARTMENT</u>	<u>TYPE/OPTION</u>	<u>MONTHLY AMOUNT</u>	<u>EFFECTIVE DATE</u>
Thornton, Jesse	Public Works	Rule of 80- Option A	\$1,321.14	October 1, 2011
Wells, Bettye J. (Formerly Vested)	General Government	Immediate Early- Option A	\$1,055.30	October 1, 2011
Wilkins, Wendy	Library	Immediate Early- Option E	\$758.10	September 1, 2011
Zuback-Langgood, Connie	Finance	Normal-Option A	\$124.36	September 1, 2011

**BENEFIT REVISIONS/CONVERSIONS-PENDING BOARD REVIEW/APPROVAL**

<u>NAME</u>	<u>TYPE/OPTION</u>	<u>PREVIOUS AMOUNT APPROVED BY BOARD</u>	<u>REVISED AMOUNT</u>	<u>EFFECTIVE DATE</u>
No activity				

**SELECTION OF OPTIONAL BENEFIT REPORT – VESTED OR AGE 62 AND OLDER PARTICIPANTS**

<u>NAME</u>	<u>OPTION</u>	<u>DATE</u>
Bowles, Sherman	Option B	September 22, 2011
Brunker, Fred N.	Option B	August 19, 2011
Coulter, Catherine	Option B	November 11, 2011
Parham, Doris C.	Option B	October 18, 2011
Saylors, Bobby Ray	Option B	September 22, 2011
Trevor, Thomas	Option B	November 9, 2011
Williams, Robert L.	Option B	August 25, 2011
Woods, Harry W.	Option B	September 12, 2011

**DISABILITY BENEFIT REPORT**

<u>NAME</u>	<u>MONTHLY DISABILITY BENEFIT AMOUNT</u>	<u>EFFECTIVE DATE</u>
Banther, Walter	\$1,697.74	May 31, 2011
Dumas, Lebron (LTD benefit offset by General Pension Plan retirement benefit)	\$134.51	August 24, 2011
Ewing, Tonia	\$1,500.00	August 20, 2011

**DISABILITY BENEFIT REPORT (cont.)**

<u>NAME</u>	<u>MONTHLY DISABILITY BENEFIT AMOUNT</u>	<u>EFFECTIVE DATE</u>
Francis, James	\$1,551.05	September 12, 2011
Torres, Ruben	\$2,125.00	May 18, 2011

**LUMP SUM DISTRIBUTIONS**

<u>NAME</u>	<u>DEPARTMENT</u>	<u>EMPLOYEE NUMBER</u>	<u>TERMINATION DATE</u>	<u>REFUND AMOUNT</u>
Baird, David	Planning	64235	August 11, 2011	\$2,204.39
Freeman, Shanika	Parks & Recreation	66767	September 14, 2011	\$351.82
Freiberg, Crystal	General Government	65767	September 2, 2011	\$2,452.46
Gipson, Adam	Public Works	66768	May 27, 2011	\$371.40
Gravett, Michael	Public Works	63121	August 29, 2011	\$2,396.92
Gunter, Marc	Public Works	66540	September 2, 2011	\$506.39
Hagen, Jonathan	Public Works	62913	September 29, 2011	\$3,074.43
Hasimu, Hujiaabudula	Finance	65135	August 1, 2011	\$1,714.10
Hromi, Mark E.	Public Works	67046	September 7, 2011	\$504.87
Johnson, Kristy	Human Services	65880	July 28, 2011	\$238.43
Long, Shannon	Public Works	66964	August 4, 2011	\$1,714.10
Matsinger, Scott A.	Finance	63541	June 24, 2011	\$2,664.57
Moore, Jr., Rogers	Public Works	67114	August 22, 2011	\$44.06
Munn, Tommie	Personnel	65633	July 29, 2011	\$974.30
Rose, David L.	Parks & Recreation	67521	June 20, 2011	\$22.30
Schrimsher, Brandi	Police	67041	August 2, 2011	\$95.46
Strickland, Jr., Macker	Public Works	63564	July 1, 2011	\$1,116.70
Suttles, Carole	Human Services	65959	August 11, 2011	\$420.27
Swain, Kelly	Airport	62826	July 31, 2011	\$4,609.74
Yandow, Edmond	Parks & Recreation	66764	September 15, 2011	\$193.07

Hamilton, Dennis \$177.63  
 (Refund of remaining employee basis – retiree Betty Wilson died May 19, 2011)

**LUMP SUM DISTRIBUTIONS (cont.)**

	<b>TOTAL</b>	<b>\$25,847.41</b>
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**PART II – ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
CITY OF CHATTANOOGA	\$296.10	\$377.35	Reimburse Information Services for registering GPP domain names for next nine years – Dotster, Inc.
FIRST TENNESSEE BANK	\$25,606.62	\$51,328.82	General Pension Plan expense for quarter ending September 30, 2011
<b>COMPANY TOTAL</b>	<b>\$25,902.72</b>	<b>\$71,617.42</b>	

**INVESTMENT MANAGERS**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
ATALANTA SOSNOFF	\$31,981.00	\$68,200.00	Investment management expense for period July 1, 2011 to September 21, 2011 (final invoice)
DUFF & PHELPS	\$10,406.00	\$23,142.00	Investment management expense for quarter ending September 30, 2011
INSIGHT	\$13,197.93	\$28,869.71	Investment management expense for quarter ending September 30, 2011
NWQ INVESTMENT MANAGEMENT COMPANY	\$27,269.64	\$27,269.64	Investment management expense for quarter ending June 30, 2011
PATTEN AND PATTEN	\$8,471.22	\$17,954.01	Investment management expense for quarter ending September 30, 2011
WEDGE CAPITAL	\$18,448.64	\$40,805.73	Investment management expense for quarter ending September 30, 2011
<b>MANAGER TOTAL</b>	<b>\$109,774.43</b>	<b>\$214,216.71</b>	

**ACCOUNTS PAYABLE – INVESTMENT MANAGERS (REVISION)**

No Activity

**ACCOUNTS RECEIVABLE**

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>	<u>PURPOSE</u>
THOMSON, HORSTMANN & BRYANT, INC.	\$31,917.96	THB SMID Cap class action lawsuit settled - returning portion of income based on percentage of interest as of April 30, 2009

**REPORT OF ACCOUNT(S) PAID**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
THE HARTFORD	\$8,905.96		Long-Term Disability (50%) – September 2011
THE HARTFORD	\$8,863.53		Long-Term Disability (50%) – October 2011

<b>LTD TOTAL</b>	<b>\$17,769.49</b>	<b>\$35,345.27</b>
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**REPORT OF MISCELLANEOUS ACCOUNT TRANSACTIONS**

<u>COMPANY</u>	<u>AMOUNT</u>	<u>FYTD</u>	<u>EFFECTIVE DATE/PURPOSE</u>
Northern Trust Investments	\$700,000.00	\$700,000.00	August 29, 2011 – withdrawal to cover benefit payments and miscellaneous expenses
Northern Trust Investments	\$800,000.00	\$1,500,000.00	October 24, 2011 – withdrawal to cover benefit payments and miscellaneous expenses

<b>MISCELLANEOUS TOTAL</b>	<b>\$1,500,000.00</b>	<b>\$1,500,000.00</b>
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**CITY OF CHATTANOOGA OPEB TRUST**

**PART I – ACCOUNT SUMMARY**

**ACCOUNTS PAYABLE**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
FIRST TENNESSEE BANK	\$2,216.72		Custodial services for quarter ending September 30, 2011

<b>COMPANY TOTAL</b>	<b>\$2,216.72</b>	<b>\$40,867.31</b>
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**ACCOUNTS PAYABLE (cont.)**

**INVESTMENT MANAGERS**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
ATALANTA SOSNOFF	\$4,050.00	\$15,067.00	Investment management fee for period July 1, 2011 to September 21, 2011 (final invoice)
<b>MANAGER TOTAL</b>	<b>\$4,050.00</b>	<b>\$15,067.00</b>	

**ACCOUNTS RECEIVABLE**

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>		
THOMSON, HORSTMANN & BRYANT, INC.	\$735.35		THB SMID Cap class action lawsuit settled - returning portion of income based on percentage of interest as of April 30, 2009

Administrative Issues

Douglas Kelley reviewed the provisions of the City Charter regarding cost-of-living adjustments for General Pension Plan retirees. After a brief discussion, no action was taken by the Board (3% increase effective January 1, 2012).

Consulting Services Group

Scott Arnwine reviewed with the Board Consulting Services Group's Research Advisory Board screening process for adding a new Small Cap Core manager to replace an index fund. Mr. Arnwine discussed the three firms selected by the Research Advisory Board. All three firms are employee owned, have decent tenure, no regulatory issues, normally buy stocks at a discount, have assets less than \$2.5 billion to allow for maneuverability in a volatile or flat market and have historically outperformed the benchmark. Based on the recommendation of Scott Arnwine, the Board approved inviting representatives from The London Company and Kennedy Capital Management to the February 16, 2012 meeting for a presentation.

Mr. Arnwine continued by presenting the third quarter performance review to the Board. The total fund lost 10.8% in value during the third quarter. However, Mr. Arnwine explained that most of the losses incurred in the third quarter were regained in the month of October 2011 (up a total of 6%). There was significant volatility in the third quarter. This included the reduction by Standard and Poor's of the credit rating for the United States and continued financial volatility of several European countries. However, United States treasuries remained a safe financial haven. Fixed income was up 2.7% led by Prudential U.S. corporate bonds. This performance helped to offset the downturn in high yield. Hedge fund managers performed better than the equity markets (down only 3.7% for the third quarter). Large Cap Equity managers incurred a reduction of 17.7% during the third quarter. However, October 2011 showed a resurgence lead by Patten and Patten with an increase of 15.3% and the benchmark up 11.0%.

Daisy Madison inquired about the advantages of continuing in Small Cap equity (down 19.7% for the third quarter). Mr. Arnwine referred the Board to the ten year performance of Small Cap equity (up 6.5% with an overall return of 3.9% since inception). He also mentioned the performance of Insight (up 17.0% for one year, 9.0% for the previous ten years) and the fact Small Cap equity had a smaller allocation of 7.1% of the portfolio at the end of the third quarter.

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November 17, 2011

Mr. Arnwine reported that OPEB performed better in the third quarter since 15% of funds are in cash. Mr. Arnwine recommended the Board approve investing one-half of the cash in the preapproved allocations. This action has previously been completed about twice a year. The Board unanimously approved this action.

Mr. Lamb inquired if there should be any allocation changes at this time. Mr. Arnwine responded that there are no recommended changes at this time. The Plan currently has the recommended high yield that Consulting Services Group is recommending to their clients.

The next Board meeting is scheduled for February 16, 2012 at 8:30 a.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