

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

January 17, 2008

The regular meeting of the City of Chattanooga General Pension Plan was held January 17, 2008 at 8:45 a.m. in the J.B. Collins Conference Room. Trustees present were Daisy Madison, Katie Reinsmidt, Dan Johnson, Terry Lamb, and Carl Levi. Others attending the meeting were Jeff Claxton, City Benefits Office; Doug Kelley, City Personnel Office; Michael McMahan, Nelson, McMahan & Noblett; Teresa Hicks, First Tennessee Bank; Pat Cox, Consulting Services Group; and Scott Arnwine, Consulting Services Group.

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

The minutes of the meeting held December 6, 2007 were approved.

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

ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAYABLE</u>		<u>SERVICES RENDERED</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
The Chattanooga	\$1,785.40	\$1,785.40	Educational Seminar

INVESTMENT MANAGERS

ATLANTA SOSNOFF	\$37,969.00	\$72,188.00	Investment management fee for period Ending December 31, 2007
NWQ INVESTMENT MANAGEMENT	\$33,410.75	\$99,136.77	Investment management fee for period Ending September 30, 2007

MANAGER TOTAL	\$71,379.75	\$171,324.77	
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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

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>YTD</u>	
MUTUAL OF OMAHA (Long-Term Disability)	\$9,474.38	\$56,759.36	Premium for December 2007
DISABILITY TOTAL	\$9,474.38	\$56,759.36	

MISCELLANEOUS ITEMS

<u>NAME</u>	<u>TRANSACTION</u>
No activity	

Administrative Issues

- Mr. Claxton presented several issues to the Board within the administrative actions.
1. Douglas Collins – Mr. Collins is facing a possible divorce and came in the Personnel Office to change his beneficiary. He was advised that his new beneficiary would not be eligible for any new benefits. He wanted to change his optional benefit amount to the straight life annuity amount. We told him this could not be done. Mr. McMahan stated that Erisa does not apply to governmental plans. We could amend our ordinance and go to a QDRO system (Qualified Domestic Relations Order), but this would be expensive. For Mr. Collins, his retirement has already been set and cannot be changed. Ms. Madison suggested arranging a future meeting for this conversation.
 2. Christopher Fryar – Mr. Fryar was eliminated from the City in a layoff situation and elected a refund of his general pension contributions. He is now employed and would like to state his case to buyback the three years of service that he was previously refunded (6/27/1988 thru 9/23/1991). Mr. McMahan stated that there is not currently a provision allowing for a buyback of previously refunded service time.
 3. 2008 COLA – Mr. Claxton stated that the 3% cost-of-living raises for the retirees have been applied by the administrative office and completed by First Tennessee Bank.

Private Equity Interviews

Pat Cox, from Consulting Services Group, explained to the Board that there were two private equity recommendations with a fund-of-funds approach prepared to make brief presentations. They include Montagu Newhall Global Partners IV and Diversified Trust Company Private Equity Fund III. The total of these commitments would add \$4.0 million to the private equity allocation. Mr. Cox also stated that these two funds made excellent complements to each other.

Montagu Newhall

Kevin Campbell, a partner at the firm, gave the first presentation. He described the firm as a venture capital fund-of-funds group that was founded by him and two other partners in 2000. The firm is currently in process of raising its fourth fund worth about \$375 million. It has three other funds ranging in size from \$52 million to \$250 million. Mr. Campbell took some time explaining the investment processes of these funds. Competitive strengths of the firm include a network of two advisory committees, an optimal fund size, and an increasing allocation from co-investors. The firm has an early stage fund investment strategy complemented by a later stage, direct co-investment strategy.

Diversified Trust Company (DTC)

Thomas Hussey gave the second presentation. DTC is a private trust company, formed in 1994, and is 100% privately owned by their partners. There are currently over \$3.0 billion in assets under management. He stated that the firm is familiar with CSG and has used their expertise in helping them pick traditional investment managers under other strategies. Private Equity Fund I has \$38.5 million and fund II has \$125.2 million in committed capital. The firm offers DTC Private Equity III with up to \$100 million under management. This is a core private equity strategy. It is a globally diversified portfolio with allocation to small and mid market buyout strategies as well as venture capital.

Recommendation

Mr. Cox stated that in the private equity space, access is crucial. Gaining access to the top tier managers is hard, so you have to have that competitive edge. Both of these firms have that access. CSG recommends adding \$4 million on a committed basis to the allocation, overweighting the DTC by putting \$2.5 million with their diversified approach, and underweighting Montague Newhall with an allocation of \$1.5 million. He stated that this target may take a few years to reach as capital is called over several years. The Board asked various questions to confirm this recommendation. Mr. Johnson made motion to approve the recommendation made by CSG. The Board talked about this allocation and discussed the pros and cons. Mr. Lamb made a second. The Board approved, with one vote no, Mr. Levi.

Performance Review - CSG

Mr. Cox discussed the December 2007 and the 3rd quarter performance review. The equity markets sold off in the fourth quarter. The portfolio's diversification helped limit the portfolio decline to less than one percent for the quarter, outperforming the composite index and static allocation index for the quarter and all trailing time periods. The total Plan performance as of December 31, 2007 was 11.1% and 13.5% for the 3 and 5 year trailing time periods. This performance is well above the actuarial return assumption of 7.75%. The small cap allocation is below the minimum allocation due to the fact that money has been strategically taken away from that asset class as small caps were expected to underperform other allocations in the portfolio. CSG is currently comfortable with this allocation level. For the next meeting, Mr. Cox stated that he would make some allocation adjustment recommendations.

Administrative Items (Continued)

Mr. Claxton discussed an issue with the City's current carrier of long term disability and retirement age. In the past, a long term disability benefit continued until age 62. Under the existing carrier, Mutual of Omaha, the original quote continues to age 65. Mr. Claxton has tried to change the age to 62 since that is the City's normal retirement age. Mr. McMahan stated that he thought the employee would be fine to continue to draw a disability benefit until age 65. Mr. Claxton stated that if the Board felt they needed to change the age to age 62, they could do so. Ms. Madison stated that the decision could be made in the future if need be.

The next board meeting was scheduled for Thursday, February 21, 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