

**MEETING OF THE TRUSTEES**

**CITY OF CHATTANOOGA GENERAL PENSION PLAN**

**December 21, 2006**

The regular meeting of the City of Chattanooga General Pension Plan was held December 21, 2006 at 8:45 a.m. at the J.B. Collins Conference Room. Trustees present were David Eichenthal, Daisy Madison, Carl Levi, Corrine Allen, Bettye Lynn Smith, and Dan Johnson. Others attending the meeting were Donna Kelley, City Personnel Office; Sharon Lea, City Personnel Office; Michael McMahan, Nelson, McMahan & Noblett; and Steve McNally, First Tennessee Bank.

The meeting was called to order by Chairman David Eichenthal. A quorum was present.

The minutes of the meeting held November 16, 2006 were postponed for review and approval to the next meeting, January 18, 2007.

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>
CSG	\$16,198.00	Professional services for quarter ending December 31, 2006
FIRST TENNESSEE	\$25,108.63	Custody and benefit payment services for quarter ending September 30, 2006

**INVESTMENT MANAGERS**

No Activity

**ACCOUNTS RECEIVABLE**

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>	<u>PURPOSE</u>
No Activity		

**REPORT OF ACCOUNT (S) PAID**

HARTFORD LIFE AND ACCIDENT INSURANCE CO. (Long-Term Disability)	\$12,666.41	Premium for December 2006
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## MISCELLANEOUS ITEMS

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

### Strategic Planning Process

The Chairman, Mr. Eichenthal, discussed three different possibilities for conducting a strategic planning process. EFI Actuaries, the Plan's current actuary, could be used for this process. Mr. Eichenthal discussed going ahead with the RFP process, letting EFI Actuaries participate as a proposer in the RFP process, or extending EFI Actuaries' services by adding a strategic consulting component to it. The Board discussed holding an RFP process. Mr. Johnson made motion to approve this action and Ms. Allen made a second. The Board unanimously agreed.

Ms. Allen brought to the Board's attention that she has had obligations lately within her own profession and in anticipation, wished to turn in her resignation as of December 31, 2006. She has greatly enjoyed sitting on the General Pension Plan Board. Mr. Eichenthal commended Ms. Allen's contribution to the Plan.

Mr. Eichenthal requested the EFI document to be circulated to the Board members by Ms. Lea. The strategic planning process will be further discussed at the meeting scheduled for January 18, 2007.

### Report from Counsel

Mr. McMahan informed the Board that prior to 1979, only salaried City employees were eligible to participate in the General Pension Plan. Hourly employees were not eligible to make contributions. The City entered into participating agreements with three union pension plans as a substitute for the General Pension Plan. They were the Teamsters, the Laborers, and the Operating Engineers. In the early 1990's, the Teamsters kicked the City out of its plan and the Operating Engineers over time became a very small group. A number of hourly employees participated in the LIUNA Pension Plan

SEIU started organizing City employees last year and the Laborers Union determined that it no longer had majority status as to any City employees and quit representing City employees. As a result, the LIUNA Pension Plan declared that the remaining fifteen employees who were participants as of April 14, 2006 were no longer eligible to participate in the LIUNA Pension Plan. The City did not realize that this had occurred until months later when LIUNA Pension Plan refunded the City's monthly pension payments on behalf of these employees.

Mr. McMahan explained that the City Charter requires that each employee hired by the City after February 1, 1979, participates in the General Pension Plan as a condition of employment. These former participants in the Laborer's pension are not required to participate but are now eligible to participate in the General Pension Plan and have been eligible since April 15, 2006 even though neither they nor the City recognized their status.

The question being presented is what to do with respect to these employees from April 15, 2006 to the end of the year. We could allow employees to pay their 2% employee contributions and provide credited service back to April 15; however, these employees might not be able to afford to make a lump sum payment. Moreover, some of them might not want to become participants in the General Pension Plan or if they do want to be participants it may not be in their interest to backdate their credited service to April 15, 2006.

Meeting of Trustees  
City of Chattanooga General Pension Plan  
December 21, 2006  
Page 3

Ms. Madison explained that we do not have to bring the employees into the Plan as of April 15 and that they can have a lapse in service time. She also discussed the Hartford 401(a) Plan which the City recently established. These employees may elect to participate in the Hartford Plan lieu of participation in the General Pension Plan.

Mr. McMahan asked the Board to authorize the acceptance of notes and a payroll deduction authorization for the 2% employee contribution if the employees desire to establish their credited service from April 15, 2006. Mr. Eichenthal moved to authorize this action and Mr. Johnson seconded. The Board unanimously agreed.

First Tennessee Discussion

Steve McNally, from First Tennessee, brought to the Board's discussion a substantial fee concerning the Thornburg Global Investment portfolio. He passed out a spreadsheet showing costs for global trading and custody. The Bank of New York stated that the Plan paid for \$42,000 worth of global asset custody, which is part of the reason that the Board moved away from the Thornburg global standpoint. These were fees that First Tennessee had paid for and is now looking to be paid back on. The trading is extremely expensive, Mr. McNally explained. Mr. Eichenthal confirmed that the fees were consistent with the Thornburg deal on international perspective. Thornburg has been incredibly successful in their investments. Pat Cox, from CSG, will examine the details of the fees.

The next board meeting was scheduled for Thursday, January 18, 2007 at 8:45 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