

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

March 17, 2011

The regular meeting of the City of Chattanooga General Pension Plan was held on March 17, 2011 at 8:45 a.m. in the J. B. Collins Conference Room. Trustees present were Daisy Madison, Dan Johnson, Carl Levi and Katie Reinsmidt. Others attending the meeting were Valerie Malueg, City Attorney's Office; Teresa Laney, First Tennessee Bank; and Madeline Green and Douglas Kelley, City Personnel Department.

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

The minutes of the meeting held November 18, 2010 were unanimously approved.

The following benefit and plan expenses were discussed for approval:

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>
Alexander, Lexine (Three Year DROP - \$74,977.19)	Parks & Recreation	Normal- No Option Elected	\$1,855.61	January 1, 2011
Blake, Larry	Education, Arts & Culture	Normal-Option B	\$1,341.49	January 1, 2011
Boyer, Kevin (formerly vested)	General Government - Information Services	Immediate Early- Option E	\$520.59	February 1, 2011
Cagle, Donald (Three Year DROP - \$57,648.05)	Public Works	Rule of 80- Option D	\$1,178.55	March 1, 2011
Chapman, Alton	Human Services	Immediate Early- No Option Elected	\$630.48	March 1, 2011
Clapp, David F.	Library	Rule of 80- Option A	\$2,938.15	January 1, 2011
Davis, Jo Ann	County 911	Immediate Early- Option A	\$1,294.49	January 1, 2011
Day, Jacquelyn	Planning	Normal-Option E	\$1,733.01	January 1, 2011
Delashmitt, M. Carolyn	Human Services	Normal-Option D	\$1,149.50	January 1, 2011
Fears, Joyce	Human Services	Normal- No Option Elected	\$1,336.79	January 1, 2011
Ford, John Dale	Human Services	Rule of 80- No Option Elected	\$2,097.76	December 1, 2010

SUMMARY OF PENSION APPLICATIONS - cont.

<u>NAME</u>	<u>DEPARTMENT</u>	<u>TYPE/OPTION</u>	<u>MONTHLY AMOUNT</u>	<u>EFFECTIVE DATE</u>
Gilliland, Beverly	Police	Normal- No Option Elected	\$588.39	January 1, 2011
Ginn, Donna	Human Services	Normal- No Option Elected	\$2,458.32	December 1, 2010
Hill, Glenda (Three Year DROP - \$80,173.39)	Human Services	Rule of 80- Option A	\$1,918.76	January 1, 2011
Hoopes, John	Parks & Recreation	Normal- No Option Elected	\$1,157.31	March 1, 2011
King, Donald (formerly vested)	Public Works	Immediate Early- Option C	\$1,174.11	December 1, 2010
Rapier, Roger	Public Works	Normal- No Option Elected	\$1,225.24	January 1, 2011
Reed, Sherry	Parks & Recreation	Normal-Option B	\$798.50	January 1, 2011
Schenck, Sarah Beth (Three Year DROP - \$104,420.22)	Finance	Normal- No Option Elected	\$2,507.83	January 1, 2011
Shipley, Robert	Public Works	Rule of 80- Option A	\$1,391.32	February 1, 2011
St. Clair, Teresa (formerly vested)	Police	Immediate Early-	\$391.07	March 1, 2011
Stone, Fletcher	Public Works	Normal-Option B	\$1,080.74	January 1, 2011
Stone, Jean	Human Services	Normal- No Option Elected	\$581.69	January 1, 2011
Stuart, George David	Public Works	Rule of 80- Option E	\$1,195.59	January 1, 2011
Tankersley, Jacquelyn (Three Year DROP - \$70,386.68)	Parks and Recreation	Rule of 80- No Option Elected	\$1,788.78	January 1, 2011
Walker, Mildred	County 911	Rule of 80- No Option Elected	\$1,976.48	January 1, 2011
Whitlock, Charles	Public Works	Rule of 80- Option D	\$666.65	February 1, 2011
Wright, Janice Sue	Police	Normal- No Option Elected	\$1,143.54	January 1, 2011

BENEFIT REVISIONS/CONVERSIONS

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

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

<u>NAME</u>	<u>OPTION</u>	<u>DATE</u>
Cagle, Donald	Option B	November 18, 2010
Cutter, William	Option B	February 21, 2011
Guest, Theora	Option B	February 28, 2011
Hawthorne, Carolyn	Option B	January 7, 2011
Jordan, Sandra	Option B	March 2, 2011
Long, Dardenelle	Option B	November 30, 2010
Palacios, Eduardo	Option B	March 9, 2011
Smith, Jean Posely	Option B	February 2, 2011

DISABILITY BENEFIT REPORT

<u>NAME</u>	<u>MONTHLY DISABILITY BENEFIT AMOUNT</u>	<u>EFFECTIVE DATE</u>
Hampton, Constance	\$593.98	March 3, 2011
Harwood, Clayton	\$1,794.73	March 28, 2011
Nation, David	\$1,259.48	February 12, 2011
Smith, Wanda	\$1,127.80	November 23, 2010
Worley, Randall	\$1,489.86	November 24, 2010

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION-CHECKS PROCESSED)

<u>NAME</u>	<u>DEPARTMENT</u>	<u>EMPLOYEE NUMBER</u>	<u>TERMINATION DATE</u>	<u>REFUND AMOUNT</u>
Ellis, Bryan	Human Services	63110	October 7, 2010	\$1,338.88
Everett, Harold D.	General Services	66012	September 13, 2010	\$261.53
Green, William	Airport	63239	December 11, 2010	\$1,525.94
Gruetter, William	Parks & Recreation	56673	October 10, 2010	\$1,528.00
Head, Joe	Public Works	62396	November 4, 2010	\$3,146.24

LUMP SUM DISTRIBUTIONS (FOR RATIFICATION-CHECKS PROCESSED) – cont.

<u>NAME</u>	<u>DEPARTMENT</u>	<u>EMPLOYEE NUMBER</u>	<u>TERMINATION DATE</u>	<u>REFUND AMOUNT</u>
Honeycutt, Richard	Parks & Recreation	65155	December 16, 2010	\$266.00
Livesay, Kami	Library	64394	November 12, 2010	\$541.95
Manghane, Lisa	Human Services	65615	December 16, 2010	\$548.69
Messer, Mark	General Government	62644	December 17, 2010	\$4,561.51
Morrison, Steven	General Government	64940	December 3, 2010	\$1,744.65
Rossi, Kent	Public Works	66683	November 23, 2010	\$79.39
Silvey, Heath	Public Works	62457	November 10, 2010	\$380.61
Sims, Offord	Airport	60333	January 27, 2011	\$8,621.99
Upham, Adam	Public Works	66624	November 19, 2010	\$84.83
White, Jashari	Human Services	63891	December 30, 2010	\$1,013.67
Williams, Jillian	Mayor's Office	63554	November 29, 2010	\$1,365.44
York, Sonja	Fire	63091	December 1, 2010	\$1,650.48
McManus, Richard				\$1,293.43
(Beneficiary of Hazel McManus – died December 14, 2010. Refund of remaining employee basis.)				
Morgan, Cornita				\$1,808.92
(Beneficiary of retiree Willie Morgan – died November 30, 2010. Refund of remaining employee basis.)				
Walker, Anthony				\$6,503.56
(Beneficiary of retiree Marjorie Banks – died December 15, 2010. Refund of remaining employee basis.)				
TOTAL		\$38,265.71		

PART II – ACCOUNT SUMMARY

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
CONSULTING SERVICES GROUP	\$18,483.25		Investment consulting services for period ending December 31, 2010
FIRST TENNESSEE BANK	\$24,890.65		General Pension Plan expense for quarter ending December 31, 2010

COMPANY TOTAL	\$43,373.90	\$127,970.44	
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INVESTMENT MANAGERS (does not include direct bill thru Custodian)

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
ATALANTA SOSNOFF	\$32,112.00		Investment management expense for quarter ending December 31, 2010
DUFF & PHELPS INVESTMENT MANAGEMENT COMPANY	\$13,595.00		Investment management expense for quarter ending December 31, 2010
INSIGHT	\$11,277.19		Investment management expense for quarter ending September 30, 2010
	\$13,282.16		Investment management expense for quarter ending December 31, 2010.
NWQ INVESTMENT MANAGEMENT COMPANY	\$24,448.30		Investment management expense for quarter ending September 30, 2010
	\$26,659.79		Investment management expense for quarter ending December 31, 2010
PATTEN AND PATTEN	\$9,139.55		Investment management expense for quarter ending December 31, 2010
SMH CAPITAL ADVISORS	\$7,809.38		Investment management expense for quarter ending December 31, 2010
WEDGE CAPITAL	\$20,178.87		Investment management expense for quarter ending December 31, 2010
MANAGER TOTAL	\$158,502.24	\$346,589.09	

ACCOUNTS PAYABLE – INVESTMENT MANAGERS (REVISION)

No Activity

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT RECEIVED</u>	<u>PURPOSE</u>
FCA VENTURE PARTNERS III	\$60,781.79	Distribution February 21, 2011

REPORT OF ACCOUNT(S) PAID

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	
THE HARTFORD	\$8,792.96		Long-Term Disability (50%) – Dec. 2010
THE HARTFORD	\$8,815.65		Long-Term Disability (50%) – Jan. 2011
THE HARTFORD	\$8,766.30		Long-Term Disability (50%) – Feb. 2011
LTD TOTAL	\$26,374.91	\$74,091.57	

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	\$1,163.65		Custodial services for quarter ending December 31, 2010
COMPANY TOTAL	\$1,163.65	\$34,655.65	

INVESTMENT MANAGERS (does not include direct bill thru First Tennessee)

ATALANTA SOSNOFF	\$1,758.00		Investment management fee for quarter ending December 31, 2010
MANAGER TOTAL	\$1,758.00	\$ 4,510.00	

ACCOUNTS RECEIVABLE

<u>COMPANY</u>	<u>AMOUNT PAID</u>		<u>PURPOSE</u>
	<u>THIS PERIOD</u>	<u>FYTD</u>	

No Activity

Annual Election of Officers

The following Board members were elected as officers for calendar year 2011:

- Daisy Madison reelected as Chair
- Katie Reinsmidt as Vice Chair
- Carl Levi reelected as Secretary

Dan Johnson made the motion to nominate with a second from Daisy Madison. The Board unanimously approved the action.

Administrative Issues – General Pension Plan

The Board ratified the transfer of cash in the amount of \$1,000,000.00 from Atalanta Sosnoff to meet the benefit payments for the month of February. The transfer was to have occurred from the funds of Duff & Phelps, but the transfer request had not cleared in time. The funds transferred from Atalanta Sosnoff will be replaced from the funds of Duff & Phelps when the trades clear.

Administrative Issues – OPEB Trust

The Board ratified the transaction of Mellon Bank receiving \$3,200,000.00 on behalf of the City of Chattanooga OPEB Trust in the Global Opportunistic Fixed Income.

Report from Counsel

Valerie Malueg reported that a revised draft of the Statement of Investment Objectives had been received from CSG and the substantive changes had been made based on the discussions held on February 18, 2011. Ms. Malueg mentioned there were a couple of minor revisions to be made and that a new draft would be presented at the next Board meeting.

Ms. Malueg reviewed the agreement between the city and Maurice Horton that waived benefits upon his reinstatement by the City Council. A summary of the previous discussion is included in the November 19, 2009 minutes. A copy of the agreement will be filed with the November 19, 2009 minutes. The Board was advised by Douglas Kelley that Mr. Horton's membership date with the General Pension Plan was already revised to reflect the effective date of his reinstatement – December 2, 2008.

Ms. Malueg discussed her research on the issue of allowing General Pension Plan retirees to voluntarily assign a portion of their benefit to another person (Plan exempt from the Employee Retirement Income Security Act – ERISA). This issue was originally presented to the Board by Michael McMahan during their October 21, 2010 meeting based on an inquiry from a local attorney. Ms. Malueg referred to the spendthrift clause under Section 3.46(5) of the City Charter that states “except for obligations which may be owed to the city by an employee at the time of his termination or retirement, no benefit under the plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge; and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge shall be void. No such benefit shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit except as specifically provided in the plan.” It was also discussed that the General Pension Plan does not recognize Qualified Domestic Relations Orders. Based on this review, the Board indicated there was no further action or discussion on this topic.

Ms. Malueg reviewed with the Board the verbal discussions she had with an Internal Revenue Service representative related to the Private Letter Ruling on whether the city's updated injury on duty program approved by the City Council in July 2010 and long-term disability benefits could be considered in the realm of worker's compensation and therefore be non-taxable. Ms. Malueg informed the Board that the Internal Revenue Service representative determined benefits received from the injury on duty program were deemed to be non-taxable. However, the long-term disability benefits are considered taxable (current provider The Hartford is taxing LTD benefits) based on the current wording listed below in the City Charter for disability benefits.

“Section 3.40 (6)(b) For the purposes hereof, the phrase "disabled in the line of duty" shall generally relate to those disabilities proximately caused by acts or incidences occurring as a result of employment with the city; however, **the trustees may purchase insurance policies with different definitions. The trustees are also authorized to adopt a more specific definition of disability with respect to a self-funded program.**”

“Section 3.40 (6)(c) For the purposes hereof, the phrase "disabled not in the line of duty" shall refer to those disabilities that do not qualify as "disabled in the line of duty." **The trustees may purchase insurance policies with different definitions of "disabled not in the line of duty" or may establish a more specific definition with respect to a self-funded program.**”

Ms. Malueg stated that she would contact the Internal Revenue Service for a written response on these two issues.

The next Board meeting is scheduled for April 21, 2011 at 8:45 a.m. in the J. B. Collins Conference Room.

Meeting of Trustees
City of Chattanooga General Pension Plan
March 17, 2011

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary