

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

July 21, 2005

The regular meeting of the City of Chattanooga General Pension Plan was held July 21, 2005 at 8:45 a.m. in the City of Chattanooga J.B. Collins Conference Room. Trustees present were David Eichenthal, Larry Bentley, BettyeLynn Smith, Daisy Madison and Dan Johnson. Others attending the meeting were Doug Kelley, City Personnel Office; Vickie Corson, City Finance Department; Chris Haley, City Finance Department; Michael McMahan, Nelson, McMahan & Noblett; and Teresa Hicks of First Tennessee.

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

The minutes of the meeting held June 16, 2005 were approved.

Upon a motion duly passed, the following pension benefits and plan expenses were approved:

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAYABLE</u>	<u>SERVICES RENDERED</u>
ADORNO & YOSS	\$6,900.73	Expenses – Paine Webber litigation
CONSULTING SERVICES GROUP	\$17,113.75	Professional services for quarter ending June 30, 2005
IMAGING SOLUTIONS AND SERVICES, INC.	\$4,003.58	Scanning services
FIRST TENNESSEE	\$23,590.91	Custody and benefit payment services for quarter ending March 31, 2005
NELSON, MCMAHAN & NOBLETT	\$2,040.00	Professional services for the period April 1, 2005 through June 30, 2005
	<u>\$2,572.50</u>	Professional services for the period April 1, 2005 through June 30, 2005 (Paine Webber litigation)
	\$4,612.50 Total	
THREE HD	\$637.50	Web site design
INVESTMENT MANAGERS		
ARK ASSET MANAGEMENT	\$25,375.00	Investment management fee for quarter ending June 30, 2005
NORTHERN TRUST COMPANY	\$4,208.85	Investment management fee for quarter ending June 30, 2005
PATTEN AND PATTEN, INC.	\$8,724.29	Investment management fee for quarter ending June 30, 2005
SML CAPITAL ADVISORS	\$7,753.17	Investment management fee for quarter ending June 30, 2005

THORNBURG INVESTMENT MANAGEMENT	\$33,261.03	Investment management fee for quarter ending March 31, 2005
	\$79,322.34	Total

ACCOUNTS RECEIVABLE

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

REPORT OF ACCOUNT (S) PAID

HARTFORD LIFE AND ACCIDENT INSURANCE CO. (Long-Term Disability)	\$12,218.72	Premium July 2005
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MISCELLANEOUS ITEMS

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

Administrative Budget

Ms. Corson presented the administrative budget of \$325,750 for fiscal year 2006. The budget was comprised of \$17,250 in actuary fees, \$99,000 of bank fees, \$85,000 of consultant fees, \$12,000 in routine legal expenses, \$77,500 of non-routine legal expenses, \$25,000 in personnel reimbursement, and \$10,000 for trustee education. Ms. Corson pointed out that the meeting expenses had been removed from the budget. Fiscal year 2005 allocated \$240 for meeting expenses. Currently, the Council office provides the drinks with no City personnel providing additional refreshments. Ms. Corson asked if she should include the \$240 for meeting expenses. Ms. Madison commented that it would not hurt for special occasions.

Mr. McMahan commented on the non-routine legal fees. He stated that a hearing had been set in March 2006 for the ongoing arbitration with PaineWebber. He expects the arbitration to last ten days. He believes the allocated \$77,500 is a good estimate to cover the \$30,000 of document fees, \$12,000 arbitration fees (which may or may not have to be paid dependent upon arbitration ruling) and travel expenses. Next, Ms. Madison questioned the estimated bank fee increase of \$600. The market value based portion of the fee had increased due to the increased market value of the pension plan. Mr. Eichenthal commented that the board should look at reevaluating the fee at some point in the future.

Mr. Johnson made a motion to adopt the administrative budget for 2006 as amended by \$240.00. Mr. Bentley provided a second and the motion was unanimously passed.

Report on Pay Date - First Tennessee

The board asked during the last meeting for First Tennessee to investigate the different pension payment options. The board was most interested in processing pension payments on the last business day. Currently, pension payments are processed on the last day of the month. Teresa Hicks from First Tennessee informed the board that the trust accounting system used by First Tennessee was designed so that if the last day of the month fell on a weekend or holiday, then the transactions would be produced on the following business day. However, the ACH files would be sent to the receiving institutions the day before the weekend or holiday. At this time, First Tennessee would be unable to produce pension payments on the last business day. Pension payment processing must occur on a specific date. The trust accounting system will not allow for last business day processing.

The board was dissatisfied with the report. Mr. Johnson asked for First Tennessee to reconsider. If the system was unable to be reprogrammed then the board would like a detailed response from First Tennessee's operational department. Mr. Eichenthal further stated that if the operational department could

not provide an adequate response then they could send a representative to report to the board at a future board meeting.

Report from Counsel

Mr. McMahan submitted an Addition to the Pension Bylaws for review by the board. The addition would give the board more power to do business and would allow the board to call special meetings. This would allow for time sensitive business to be acted upon between meetings. Mr. McMahan commented that it does not happen often. The addition to the bylaw would provide a work around to the Sunshine Law. Mr. Bentley questioned if the bylaws could be changed. Mr. McMahan confirmed that the bylaws could be changed with a thirty day notice. Today the draft was only being submitted for consideration. Ms. Smith moved to add the Addition to the Pension Bylaws on the agenda for August. Ms. Madison provided a second and the motion was unanimously passed.

REIT Allocation

Robert Longfield and Patrick Cox from CSG joined the meeting via telephone conference call. The call was to continue last month's discussion of purchasing REIT's. Mr. Longfield and Mr. Cox reported the contracts were close to ready to retain Duff and Phelps as the REIT money manager. The only item remaining was board approval.

The asset allocation called for ten percent or \$10 million to be invested in real estate. CSG recommended an initial investment of \$2 million in case the market pulls back over the next four to five months. Furthermore, CSG recommended investing \$1.5 million each month for the next five months. If there was a month where the market had a negative performance then CSG would double the investment for the month. The funding would come from domestic equity portion of the pension plan assets with the first \$3.5 million coming from Thomson Horstmann & Bryant.

Mr. Johnson questioned if CSG would come back to the board for approval before the monthly funding. CSG stated they would come back to the board only to decide where to take the funding. The funding will come from Thomson Horstmann & Bryant for the next two months. CSG recommended that the board adopt the plan and move forward. Ms. Madison made a motion to accept the plan as outlined above. Mr. Bentley provided a second and the motion was unanimously passed.

Miscellaneous

The trustee's seminar on August 18th is tentatively scheduled from 8:00 a.m. until 2:00 p.m. More information will be available over the next five to seven days. During the seminar, the actuary will be conducting a detailed discussion including issues affecting contributions. CAPIS will be present to report on the commission recapture program. Finally, there will be a small business agenda.

Notification of an amendment to the investment management agreement with Brandywine was reported. The fixed income fees were reduced to 45 basis points.

The next board meeting is scheduled for Thursday, August 18, 2005 at 8:45 a.m.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary