MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

May 25, 2006

The regular meeting of the City of Chattanooga General Pension Plan was held May 25, 2006 at 8:45 a.m. at the Development Resource Center, Room 2B. Trustees present were David Eichenthal, Carl Levi, Daisy Madison, BettyeLynn Smith, Dan Johnson, and Corrine Allen. Others attending the meeting were Donna Kelley, City Personnel Department; Doug Kelley, City Personnel Department; Sharon Rogers, City Personnel Department; Mike McMahan, Nelson, McMahan & Noblett; Pat Cox, Consulting Services Group; and Scott Arnwine, Consulting Services Group.

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

The minutes of the meeting held April 20, 2006 were approved.

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

ACCOUNT SUMMARY

ACCOUNTS PAYABLE

COMPANY	AMOUNT PAYABLE	SERVICES RENDERED
FIRST TENNESSEE	$26,941.54	Custody and benefit payment services for quarter ending March 31, 2006.
NELSON, MCMAHAN & NOBLETT	$2,035.20	Professional services for period January 19, 2006 to March 31, 2006.
	$1,185.00	Professional services for period February 16, 2006 to March 28, 2006. (Paine Webber litigation)
INVESTMENT MANAGERS		
ARK ASSET MANAGEMENT	$27,076.00	Investment management fee for quarter ending March 31, 2006
DUFF & PHELPS INVESTMENT MANAGEMENT	$18,151.00	Investment management fee for quarter ending March 31, 2006
INSIGHT CAPITAL RESEARCH & MANAGEMENT	$17,833.59	Investment management fee for quarter ending December 31, 2005
NORTHERN TRUST COMPANY	$ 4,318.18	Investment management fee for quarter ending March 31, 2006
THORNBURG INVESTMENT MANAGEMENT	$42,434.34	Investment management fee for quarter ending March 31, 2006
	$109,813.11	TOTAL

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	PURPOSE
NASD	$900.00	Refund from NASD for overpaid Arbitration fees

REPORT OF ACCOUNT (S) PAID

HARTFORD LIFE AND ACCIDENT INSURANCE CO. (Long-Term Disability)	$12,408.74	Premium May 2006

MISCELLANEOUS ITEMS

NAME	TRANSACTION

No activity

Quarterly Performance

Pat Cox and Scott Arnwine from Consulting Services Group presented the first quarter performance review to the board. Mr. Cox stated that the plan's overall performance was up 17.3% over the last three years. For the first quarter, the total fund was up 5.7%. He also stated that over the past five years, the plan has outperformed in large cap domestic equities and small cap equities. The small cap equity managers performed well during a strong quarter for the asset class.

Fixed income has shown a huge turnaround as compared to prior years. The current fixed income portion of the asset allocation is 22.3%, slightly below the minimum target allocation of 25.0%.

Mr. Cox discussed the performance of the domestic equity managers. Overall the managers have performed well. Ark Asset management has trailed their benchmark and peer group recently and CSG will continue to monitor their performance. The balance of the domestic equity managers have performed well for the quarter as well as over multiple time periods versus their indexes and peer groups.

CSG reported that Thornburg Investment Management has placed in the top third of their peer group since early 2005 for international equities.

Mr. Cox described the performance of alternative money managers. The FCA Venture Partners II had a positive return rate. FCA Venture Partners III is still actively working with clients and CSG expects improving results in time. Duff and Phelps, Ironwood , and Pointer have shown consistent returns since inception.

The SEIX High Yield is a higher quality manager under fixed income. SMH has been a more aggressive manager for the past year. Northern Trust International and Aggregate Indexes are also showing consistency as compared to their markets. Brandywine Global has been a very opportunistic manager, and has shown a higher rate of return since inception as compared to the market. During the discussion, Mr. Eichenthal asked that CSG compare SEIX and SMH at the next money manager review.

Mr. Cox concluded the performance discussion and stated that overall, asset allocation and money managers are doing a fine job.

Annual Manager Review

Mr. Arnwine conducted the annual review of the International Equity and Global Fixed Income managers.

Thornburg Investment Management generally looks for promising companies when selling at a discount to intrinsic value. They use a bottom-up approach where value centers on assessment of the intrinsic worth of an investment. Their value stocks are divided into three categories: basic value, consistent earners, and emerging franchises. Basic value stocks come from financially sound companies with well established businesses that are selling at low valuations relative to the company's net assets or potential earning power. Consistent earners are stocks that come from companies with steady earnings and dividend growth that are selling at attractive values and are priced below historical norms. Emerging franchises are stocks that come from value-priced companies in the process of establishing a leading position in a product, service, or market that is expected to grow at an above average rate. Thornburg also focuses on "real returns," which are net total returns after inflation, taxes and investment expenses. In their Investment Process, Thornburg uses quantitative screens for idea generation focusing on valuation and fundamental change. They also use quantitative models for calculating intrinsic value. Models vary depending on company/industry being evaluated. Research includes financial analysis, collaborative research, and company visits. They evaluate the most attractive companies in the context of the three value categories. They construct their portfolio with an average of 45-55 stocks. Their individual position sizes from 1.5%-3.5%. They are diversified by country, sector, industry, and economic sensitivity. They had no major ownership changes except for one analyst changing locations. In the quantitative review, the manager did well. There was an excess return in 2005 of 2.6%. They have shown great consistency in their returns compared to their index and peer group.

Brandywine Global Investment Management's philosophy is that returns are generated by investing in bonds with the highest real yields, managing currency to protect principal and increase returns, patiently rotating among countries, and controlling risk by purchasing undervalued securities. They concentrate assets in those countries where value is greatest and where catalyst is seen for the realization of that value. In their investment process, they use the top-down, value-driven process. This is where real yield is the primary measure of value. Currency value is next in importance, as the real yield must be captured in dollar terms. The global universe consists of the sovereign debt of 21 industrialized countries, the U.S. Treasury and Agency markets, and both U.S. and European investment-grade corporate and mortgage issues. Investment decisions are made based on the desire to increase or decrease country exposure. Once country weight is determined, the yield curve is analyzed to determine the area of optimal return, and then select the highest yielding security that has adequate liquidity. Securities are sold when a country no longer meets the definition of value, i.e., its real interest rates, currency valuation, and/or political and economic environment have been negatively impacted or have undergone fundamental change. Brandywine believes that under their risk controls, they are often able to gather excess returns by not hedging currency exposure. Brandywine only considers highly rated securities. Mr. Arnwine concluded by saying how Brandywine looks for the highest real yields throughout the global bond market, focusing on county and security selection for excess return as opposed to currency hedging as a source of excess return.

Discussion on Plan's Asset Allocation

Mr. Cox discussed two recommendations for the asset allocation review. After discussion, the Board deferred any decision on the recommendations until the June 22, 2006 meeting.

Counsel Report

Mr. McMahon stated that CSG has done a tremendous amount of work with the litigation to Adorno & Yoss. CSG has asked for additional compensation for their work in the amount of $7,500.

Counsel recommended approval. Mrs. Madison made motion to approve and Mrs. Smith made a second. The board unanimously agreed.

The next board meeting is scheduled for Thursday, June 22, 2006 at 8:45 a.m. in the Development Resource Center, Room 2B.

There being no further business, the meeting was adjourned.

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Chairman

APPROVED:

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Secretary