MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

November 17, 2005

The regular meeting of the City of Chattanooga General Pension Plan was held November 17, 2005 at 8:45 a.m. in the City of Chattanooga J.B. Collins Conference Room. Trustees present were David Eichenthal, Dan Johnson, Larry Bentley, Corinne Allen and Daisy Madison. Others attending the meeting were Doug Kelley, City Personnel Office; Chris Haley, City Finance Department; Vicki Corson, City Finance Department; Robert Longfield, Consulting Services Group, Randy Nelson, Nelson, McMahan & Noblett; Dale Ledbetter, Adorno and Yoss, LLP 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 October 20, 2005 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
COMMUNITY RESEARCH COUNCIL	$1,440.50	Reimbursement - David Eichenthal for flight/hotel expenses for trip to New York City (October 24/27, 2005)
NELSON, MCMAHAN & NOBLETT	$810.00	Professional services for the period September 1, 2005 through October 31, 2005
	$7,309.71 $8,119.71 Total	Professional services for the period September 1, 2005 through October 31, 2005 (Paine Webber litigation)
INVESTMENT MANAGERS		
BRANDYWINE ASSET MANAGEMENT	$11,267.53	Investment management fee for quarter ending September 30, 2005
DUFF & PHELPS INVESTMENT MANAGEMENT	$3,299.00	Investment management fee for period August 15, 2005 to September 30, 2005
FLIPPIN, BRUCE & PORTER, INC.	$27,382.74	Investment management fee for quarter ending September 30, 2005
INSIGHT	$14,881.99	Investment management fee for quarter ending September 30, 2005
PATTEN AND PATTEN, INC.	$8,841.06	Investment management fee for quarter ending September 30, 2005
SMH CAPITAL ADVISORS	$8,174.07	Investment management fee for quarter ending September 30,2005

THE NORTHERN TRUST COMPANY	$4,322.58	Investment management fee for quarter ending September 30, 2005
	$78,168.97	Total

ACCOUNTS RECEIVABLE

COMPANY	AMOUNT RECEIVED	PURPOSE

No activity

REPORT OF ACCOUNT (S) PAID

HARTFORD LIFE AND ACCIDENT INSURANCE CO. (Long-Term Disability)	$12,567.35	Premium November 2005

MISCELLANEOUS ITEMS

NAME	TRANSACTION

No activity

Quarterly Performance

Robert Longfield from Consulting Services Group conducted the third quarter investment performance evaluation of the general pension plan. Mr. Longfield began by updating the board members on the general market. The third quarter held a number of issues such as the hurricanes and the spike in gas prices. The oil prices especially increased at the end of the third quarter. These issues bled into October but the market rallied in November. If a portfolio did not hold either of these two sectors then the portfolio was struggling to keep up.

The third quarter also saw inflation picking up. Issues with consumer spending began to arise. One example was that the increase in oil prices increased the amount of money being taken from consumer pockets. Another example of effects on consumer spending was the federal government changed mandates on how credit card companies can amortize balances. The amortization was changed from thirty years to ten years. The result was an increase in the minimum balance due.

International stocks were strong during the third quarter. Japan was up twenty percent. Latin American, Argentina, and Brazil also did well. The global bond exposure helped the pension plan's portfolio in the fourth quarter last year. The global bonds dragged in first and second quarter of 2005 and were stable during the third quarter.

The pension plan had no policy violations during the third quarter. All target allocations were within the guidelines. The funding of the real estate allocation will continue to come from the equity managers.

CSG was pleased with the manager's performance and felt they have added nice value to the portfolio over the third quarter. The total fund performance, or actual performance of the investment managers, from inception was 4.6%. The total fund composite, which represents what the asset allocation added to the overall portfolio, equaled 3.4% compared to the 55% S&P500/10% EAFE/35% LB Aggregate (static allocation line) which was 2.8%.

Ark Asset Management produced a return of 5.7% versus its index of 4.0% during the third quarter. Ark's performance year to date is 4.0% versus the index of 2.2%. Ark has a small up performance and is protected on the downside. If the market was up ten percent then Ark would be up 10.6%. On the flip side, if the market was down 10% then Ark would be down approximately 9%. Last year was the only year that Ark has been slightly below the median versus its peers. Ark was hurt a little by consumer discretionary but owns some good names and should do reasonably well during the fourth quarter 2005.

Patten & Patten produced a return of 2.4% versus the index of 4.0% during the third quarter. Patten & Patten is at 2.7% year to date versus its index of 2.2%. Patten & Patten trails during an up market and will outperform during a down market. The third quarter was bad for Patten & Patten due to weighting and where it was at when the market moved. Patten & Patten is not as extremely growthy as ARK but has been in the top quartile the last nine years. Mr. Longfield commented that Patten & Patten had a strong quarter but left a fair amount on the ground.

Flippin Bruce & Porter produced returns of 1.5% during the third quarter compared to its index of 3.9%. Flippin is at 2.3% year to date compared to its index of 5.7%. Flippin is a contrary manager that has missed the boat big and made it big. Over the last nine years Flippin has remained in the top quartile and so has its index. 2005 was a weak year. Flippin had good tech names but was pounded by FNMA and big financial banks. Flippin has outperformed during October and November. This recent rally could be a good exit point. CSG recommends finding someone else as Flippin's volatility relative to its index is not good.

NWQ produced a return of 7.5% during the third quarter compared to its index of 3.9%. NWQ is at 8.8% year to date compared to the index which is at 5.7%. NWQ has a tough benchmark to beat but has done well. NWQ has been in the top quartile the last four out of five periods. NWQ has good consistency and good energy exposure. NWQ is in the top five percent of value managers for the quarter.

Insight Capital's third quarter performance was at 17.3% compared to the index which was at 6.3%. Insight's performance is at 27.2% year to date compared to the index which is at 2.5%. Mr. Longfield commented that Insight's performance has been unbelievable as they continue to outperform. Insight is a volatile manager which is overweight in energy. $500,000 was recently taken from Insight and Mr. Longfield commented that CSG would continue to take money from them when they are outperforming. Insight will be kept at a small percentage because of their volatility. However, Insight is a nice diversification to the pension plan's portfolio.

Thomson, Horstmann & Bryant's returned 7.7% during the third quarter compared to the index which was at 4.7%. THB's performance is at 8.6% year to date compared to the index which is at 3.4%. THB is a nice compliment to Insight. Value and growth are THB's two components. The microcap fund has a growth tail which has added nice value over time. THB is in the top quartile. It has heavy financials and energy. THB was late to investing in energy which was disappointing.

Thornburg Investment Management's third quarter performance was 10.3% compared to the index which was at 10.4%. Thornburg, which started late last year, continues to have good performance.

Duff & Phelps' third quarter performance was 4.7% compared to its benchmark which was at 3.8%. Duff & Phelps is a good quality manager that focuses on larger cap. Funding of the real estate allocation will continue as the market allows. The REIT market took a downtown turn in late October with increased volatility.

The fixed income managers include SEIX, SMH, Northern Trust, and Brandywine. The fixed income mix is not all government credit. The portfolios hold some high credit and a small piece in high yield. The one year numbers are off the chart which pulled the three year percentage up to the top quartile. SMH's trailing one year is at 16.4% compared to its benchmark which is at 6.7%. SEIX, which is conservative, outperformed in a negative market. SEIX buys predominately BB credits. The Northern Trust Funds also outperformed net of fees. The fixed income funds still have a long way to go in order to make up for previous manager, CCM.

Delta Capital II, a venture capital fund, is down twenty percent. This is fee related as Delta Capital has not pulled all the capital down. This is a good investment that should start to pay something. Scott Arnwine, also from Consulting Services Group, attended the FCA III shareholder meeting. FCA III has been slow to deploy capital commitment but should be getting to the point where we will see a benefit. FCA II has done well with an 18% internal rate of return.

<u>Annual Manager Review</u>

CSG conducted its annual hedge fund of funds manager reviews for Ironwood Capital Management and Pointer Management, LLC.

Ironwood Capital Management, which is located in San Francisco, California, was founded in 1996. The firm is one hundred percent employee owned. Ironwood currently has $1.95 billion assets under management and twenty-seven underlying managers. The principal and senior management average over fourteen years of investment management and consulting experience.

Ironwood is dedicated to providing consistently profitable, low volatility returns. Ironwood's investment strategy is a narrow focus on managers who trade in investment strategies exhibiting little or no correlation to the broader markets, such as; convertible bond arbitrage, distressed securities, fixed income arbitrage, event-driven investing, equity market neutral, and additional arbitrage based strategies. Ironwood uses a combination of top down macro opportunity views combined with bottom up manager identification.

Ironwood believes that focusing on a specific subset of the hedge fund universe gives an edge over investors who attempt to cover the entire hedge fund universe. Also, the relative value and other market neutral investment strategies offer great potential for superior risk adjusted returns with little or no correlation to the broader markets. Ironwood believes that experienced professional are responsible for continuous due diligence, oversight, monitoring and risk management are requirements for long-term success.

Ironwood has been 92% profitable compared to the Lehman Brothers Aggregate which has been only 72% profitable. Over the last five years, Ironwood had fifty-five months with gains and only five months of losses. The Lehman Brothers Aggregate had forty-three months with gains and seventeen months with losses.

Pointer Management, LLC, which is located in Chattanooga, Tennessee, was founded in 1990. The principals and senior management of Pointer Management, LLC, the General Partner, average over fifteen years of investment management and consulting experience. Pointer currently has $839.7 million assets under management and twenty-four underlying managers.

Pointer's objective is to preserve capital in all markets and to return twelve to fifteen percent net over rolling five year periods. The fund achieves its objectives by constructing the finest portfolio of fundamentally based, long/short equity hedge funds in the universe. The fund only invests in managers who have a bottoms-up, research intensive, long/short equity style. Pointer focuses on maintaining a proactive, mutually beneficial relationship with each investment manager.

Pointer does a quantitative manager research where it uses statistical analysis and manager performance evaluations to determine focus list of sixty to eighty managers. Pointer also uses a qualitative manager selection where it reviews manager’s investment processes, risk control, current holdings, and on-site evaluations to establish a watch list of approximately eight to fifteen names. Pointer also evaluates the intangible facets of a manager's process. This aspect is proprietary and a product of years of experience in selecting hedge fund managers.

Pointer has been 73% profitable compared to the S&P 500 which has only been 57% profitable. Over the last five years, Pointer had forty-four months with gains and sixteen months with a loss. The S&P 500 had thirty-three months with gains and twenty-seven months with a loss. CSG commented that sometimes Pointer can be too conservative and CSG would like to see Pointer be a little more aggressive.

CSG recommends maintaining both hedge funds.

<u>Flippin, Bruce and Porter</u>

CSG recommended the board terminate Flippin, Bruce & Porter as an investment manager. Flippin has been on CSG's watch list for some time. CSG feels the timing is good to terminate the relationship since Flippin has rallied during the quarter. CSG was not ready to suggest an alternate investment manager at this time. In the interim, CSG recommends moving the money to a Northern Trust index fund.

Mr. Johnson made a motion to accept the recommendation of CSG. Ms. Allen provided a second and the motion was unanimously passed.

<u>Counsel Report</u>

Mr. Nelson conducted an attorney-client privileged conversation with the board members regarding the outcome of the mediation.

The next board meeting is scheduled for Thursday, December 15, 2005 at 8:45 a.m.

There being no further business, the meeting was adjourned

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Chairman

APPROVED:

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Secretary