

MEETING OF THE TRUSTEES

CITY OF CHATTANOOGA GENERAL PENSION PLAN

October 19, 2006

The regular meeting of the City of Chattanooga General Pension Plan was held October 19, 2006 at 8:45 a.m. at the J.B. Collins Conference Room. Trustees present were David Eichenthal, Daisy Madison, Corrine Allen, and Dan Johnson. Others attending the meeting were Donna Kelley, City Personnel Office; Doug Kelley, City Personnel Office; Sharon Lea, City Personnel Office; and Michael McMahan, Nelson, McMahan & Noblett.

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

The minutes of the meetings held May 18, June 15, July 20, and September 21, 2006 were approved.

The pension benefits and plan expenses from the meeting held September 21, 2006 were ratified.

The following additional pension benefits and plan expenses were discussed for approval:

ACCOUNTS PAYABLE

<u>COMPANY</u>	<u>AMOUNT PAYABLE</u>	<u>SERVICES RENDERED</u>
CSG	\$16,285.75	Professional services for quarter ending September 30, 2006
NELSON, MCMAHAN & NOBLETT	\$966.60	Professional services for the period July 20, 2006 to September 21, 2006
<i>INVESTMENT MANAGERS</i>		
BRANDYWINE GLOBAL	\$11,776.48	Investment management fee for quarter ending September 30, 2006
THE NORTHERN TRUST	\$6,868.82	Investment management fee for quarter ending September 30, 2006
PATTEN AND PATTEN, INC.	\$8,914.31	Investment management fee for quarter ending September 30, 2006
SMH CAPITAL ADVISORS	\$9,047.93	Investment management fee for quarter ending September 30, 2006
THORNBURG INVESTMENT MANAGEMENT	\$14,221.14	Investment management fee for July 2006
	\$50,828.68	TOTAL

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)	\$12,493.03	Premium October 2006
---	-------------	----------------------

MISCELLANEOUS ITEMS

<u>NAME</u>	<u>TRANSACTION</u>
-------------	--------------------

No activity

Approval of Fixed Income Allocation

The combined fixed income and cash allocation had fallen below the 25% policy minimum due to benefit payments and the final capital call to FCA III, bringing the allocation to 24.2%. At the September 21st meeting, Mr. Cox, from CSG, made a recommendation to the Board that it reallocate back to the minimum of 25%. CSG recommended taking \$1,500,000 off the table from the REIT allocation (Duff & Phelps) and \$1,000,000 from our small cap manager (THB) and placing it in the money market, which yields about 4.5% at First Tennessee. At the September meeting, the Board authorized CSG to take action on the fixed income allocation. Mr. Eichenthal made motion to ratify this action and Ms. Madison seconded. The Board unanimously agreed.

Report from Counsel

Mr. McMahan reported to the Board how he and Ms. Madison had talked to Memphis Light Gas and Water the day before. They started an OPEB (Other Post Employment Benefits) fund in 1988 with excess revenues. Their administrative burdens were minimal, with funding being the major issue. Mr. McMahan is planning on speaking with their attorney about the trust document he is redrafting to comply with GASB 45. Ms. Madison confirmed that the new GASB 45 will officially start in 2009, with 2008 being the first budget. She stated that she would like to have the trust in place no later than July 1, 2007, but hopefully before then if approved by City Council. Any excess funding budgeted for medical expenses at the end of this year should be put in the trust fund as an initial start. Ms. Madison requested to have a sub-committee of the Board sit for the trust. The Board confirmed that you can have the same members sit for both trusts, as long as they are not commingled.

OPEB Discussion

The Board spoke with Graham Schmidt, from EFI, via conference call to discuss OPEB and possible vehicles to use in funding a separate trust. Mr. Schmidt referred the board to the actuarial valuation done at the beginning of the year, done with and without the use of a trust. Mr. McMahan stated that the board would more than likely create a trust. Mr. Schmidt brought up the three main vehicles that could be used for setting up a trust: the VEBA Trust, Section 115 Trust, and the 401(h) Trust. Mr. Schmidt advised the board to talk to an attorney to discuss restrictions for setting up the trust. Mr. Eichenthal asked if any entity had actually done this yet. Mr. Schmidt responded that there have been a few, one with a VEBA trust in place, but it is used for reimbursing medical expenses for employees. But the employees are not provided with full medical coverage. The board thanked Mr. Schmidt and suspended the conversation for a later time. Mr. Eichenthal reflected on the fact that the board had lost its quorum and that the conversation concerning the education seminar would also be postponed.

Meeting of Trustees
City of Chattanooga General Pension Plan
October 19, 2006
Page 3

The next board meeting was scheduled for Thursday, November 16, 2006.

There being no further business, the meeting was adjourned.

Chairman

APPROVED:

Secretary