

**ATU LOCAL 1596 PENSION FUND  
MINUTES OF MEETING HELD  
November 18, 2003**

**Board Members Present:**

Thomas Lapins - Chairman  
Edward Johnson - LYNX Appointee (2:12 PM)  
Blanche Sherman - LYNX Appointee  
Mike Donnelly - Union Appointee  
Frank Lacock - Union Appointee  
Brian Anderson - LYNX Appointee

**Others Present**

Scott Baur & Nick Schiess- Fund Administrator  
Jill Hanson - Fund Attorney  
Jim Leavy and Greg Tournant- PIMCO  
Joyce Baldi - LYNX  
Phil Ingram (Plan Participant)

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Follow-up</b>
*	Meeting called to order at 2:04 PM.		
1.	The Trustees reviewed the Minutes for the meeting of September 23, 2003 noting some corrections.  Edward Johnson joined the meeting.	Mike Donnelly made a motion to approve the minutes for September 23, 2003 as amended, seconded by Brian Anderson, approved by the Trustees 5-0.	PRC

6.	<p>Mike Calloway joined the meeting via teleconference.</p> <p>Jim Leavy and Greg Tournant appeared before the Board to discuss the investment performance of PIMCO. Mr. Leavy reviewed the investment performance for the quarter ending September 30, 2003 noting that the investment return was 3% versus the benchmark of 3.9%. He also noted that for the month of October 2003, the return was 7.5% versus 5.5% for the benchmark. Mr. Leavy reviewed the investment performance for the last three years. He then discussed market conditions and anticipated continued growth. Mr. Leavy reviewed the account transactions noting an investment gain of \$151,649 and an ending value of \$5,563,233 as of September 30, 2003.</p> <p>Mr. Tournant reviewed market performance by market capitalization noting that small cap outperformed large cap and low quality stocks outperformed high quality stocks. He discussed the portfolio versus the benchmark noting that the portfolio contained predominantly large cap high quality stocks and approximately 15% small cap equities. Mr. Tournant discussed the investment process and fundamental research used to determine a model portfolio of 35 - 50 stocks. He discussed economic conditions and believed the portfolio to be well positioned for the anticipated market growth.</p> <p>Mr. Calloway questioned Mr. Leavy regarding the underperformance of PIMCO versus the benchmark for the last quarter, given their emphasis on fundamental research. Mr. Tournant responded that the benchmark contained 25% small cap, which resulted in 45% of the return whereas PIMCO's allocation was only 15% in small cap as their investment policy dictates. Mr. Tournant anticipated outperformance of the index as the market and economy growth continues.</p> <p>The Board thanked Mr. Leavy and Mr. Tournant for their presentation. Due to a time restraint of a Trustee, Mike Calloway postponed his presentation until a later time and departed the meeting.</p> <p>Brian Anderson departed the meeting</p>		None Required
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9.a.	<p>Jill Hanson discussed the responsibilities of Trustees noting that their sole obligation is the benefit of the Participants and their beneficiaries. She advised that Trustees must set aside their management or labor representative responsibilities while functioning as a Trustee of the Plan. She further advised that during collective bargaining, the Trustees must be cautious to fulfill their fiduciary duties to the Plan.</p> <p>A discussion arose regarding issues raised at the recent collective bargaining process. Under the proposed agreement, the amount of funding required by LYNX would change from a set percentage of 9.75% of payroll to a flexible amount as determined by the Actuary. A discussion arose regarding the proposed funding requirements. A concern was expressed that LYNX might use the entire balance of the newly adopted funding standard account all at one time instead of when funding requirements exceeded 9.75%. As the Plan exists now, LYNX must contribute 9.75% and may then use the balance of the funding standard account only as a smoothing vehicle when the required funding exceeds this set percentage. A lengthy discussion arose to the language of the funding standard account and Blanche Sherman requested to receive additional clarification from the Actuary.</p> <p>Ms. Hanson recommended that a special meeting be scheduled to allow the Actuary to discuss in detail the funding standard account with the Trustees and those persons involved with the collective bargaining process. The Trustees discussed possible meeting dates for this discussion.</p>	<p>Edward Johnson made a motion to table the discussion until the next meeting. Blanche Sherman seconded the motion, approved by the Trustees 3-2 with Tom Lapins and Frank Lacock dissenting.</p> <p>The Trustees determined that a special meeting was required to discuss the funding Standard Account with the management of LYNX and the Trustees. The meeting was scheduled for December 16, 2003 at 10:30 AM.</p>	<p>PRC Theora Braccialarghe Trustees Bargaining Unit LYNX</p>
*	The meeting adjourned at 2:58 PM and reconvened at 3:15 PM.		
2.	<p>The Trustees continued the discussion of the matter of Phil Ingram, a Participant who had presented a claim to the Board at the meeting of October 23, 2003. Mr. Ingram was present and appeared before the Board. Mr. Ingram claimed to have received erroneous information from the Administrator regarding his date of full vesting under the Plan. According to Mr. Ingram, he terminated service based on this information in order to receive a refund of his pension contributions. However, Mr. Ingram was fully vested at the date of</p>	<p>Frank Lacock made a motion to table the discussion until the next meeting to allow the gathering of sworn testimony. Edward Johnson seconded the motion, approved by the Trustees 4-1 with Mike Donnelly dissenting.</p> <p>The Board directed Ms. Hanson to obtain sworn</p>	<p>Jill Hanson PRC</p>

	<p>termination and as such was not eligible for the refund per the Plan. Mr. Ingram was subsequently rehired but presented a request to either receive a refund of contributions or be reimbursed by the Plan for the lost wages during his three-week period of unemployment.</p> <p>Ms. Hanson advised the Board against a refund of contributions since this is prohibited in the Plan document and in addition Mr. Ingram has returned to service. Ms. Hanson also advised the Board that Mr. Ingram bears the burden of proof that he received erroneous information from the Administrator and then reasonably relied upon it. Based upon her investigation into the matter, Ms. Hanson believed that Mr. Ingram has not met the burden of evidence. A discussion arose to the documents provided by Mr. Ingram and the Administrator regarding the matter. Mr. Baur concluded from his internal investigation that Mr. Ingram was mistaken in the information he claims to have received. Mr. Ingram addressed the Board and explained his recollection of the phone conversation with the Administrator's office when claimed to have received the erroneous information. Ms. Hanson stated that there was not enough evidence to grant Mr. Ingram's request.</p> <p>The Trustees determined that there was not sufficient evidence to make a ruling on the matter. Ms. Hanson discussed the gathering of additional evidence, which could include the sworn testimony of personnel of the Administrator. Ms. Hanson explained her concerns over determining a decision without factual evidence and explained that the law requires that testimony must be sworn testimony in order to be considered factual. Ms. Hanson reviewed the Plan's review process noting that it was a two-step process beginning with an informal hearing without witnesses. If a claim was denied under the first step, the Participant may request a formal hearing but this would first require prior denial. Frank Lacock made a motion to deny a refund of contributions to Mr. Ingram. The motion died for a lack of a second.</p>	<p>depositions from Jaimie Nery and Angela Heyer of The Pension Resource Center.</p>	
7.	<p>Mike Calloway of Merrill Lynch Investment Services joined the meeting via teleconference at 4:10 PM to deliver the Investment Monitor Report. Mr. Calloway discussed PIMCO's underperformance of the benchmark. The Trustees talked about the possible</p>	<p>Mike Donnelly made a motion to terminate the Fund's position in Putnam and reinvest the assets in the American Funds Europacific Growth Fund. Blanche Sherman seconded the</p>	<p>Mike Calloway PRC</p>

<p>replacement of PIMCO as an Investment Manager. Mr. Calloway recommended that further research be conducted into the reasons for underperformance, along with a review of their 4<sup>th</sup> quarter performance.</p> <p>Mr. Calloway reported that quarterly earnings as of September 30, 2003 were \$800,474 with fiscal year investment earnings of \$3,754,491. The value of the Fund was \$33,839,299 as of September 30, 2003. He noted that the fiscal year investment return of 12.9% was good on absolute basis but not on a relative basis as compared to the target return of 18%. Mr. Calloway explained that the underperformance was due to an under allocation in equities at the beginning of the year, which was when equities began their rebound.</p> <p>He then reviewed the asset allocation noting that the Fund was well diversified. The asset allocation as of September 30, 2003 was 55.5% in equities; 40.8% in fixed income; and 3.6% in cash. The equity return for the fiscal year was 24.7%, which was in line with the benchmark. The fixed income return for the fiscal year of 4.9% underperformed the benchmark of 6.2% because of the conservative strategy of the bond manager. He anticipated continued poor performance in fixed income as a result of better news on the economy and rising interest rates. The international equity return for the fiscal year was 23.5% versus the benchmark of 26.5%.</p> <p>Mr. Calloway then discussed the equity portfolio characteristics and returns of the individual equity Investment Managers. PIMCO's fiscal year performance of 17.1% underperformed the index return of 26%. Sanford Bernstein's fiscal year performance of 25.6% outperformed the index return of 25.2%. Mr. Calloway discussed Sanford Bernstein's recent negative publicity but did not believe the circumstances warrant their termination at this date.</p> <p>Mr. Calloway reported on the recent developments with the management of Putnam and recommended the termination of the Fund's position in Putnam. Mr. Calloway recommended the transfer of the money into either the other international Investment Manager EuroPacifac or hire a replacement international Investment Manager. He provided the Board with the results of an international</p>	<p>motion, approved by the Trustees 5-0.</p> <p>Blanche Sherman made a motion to rebalance 5% of plan assets from ICC to the international investment in the Europacific Growth Fund per the investment policy. Mike Donnelly seconded the motion, approved by the Trustees 5-0.</p>	
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	<p>Investment Manager search and discussed the results. A lengthy discussion arose whether to retain Putnam as an Investment Manager or to transfer the funds into EuroPacifac or a replacement Investment Manager.</p> <p>Mr. Calloway continued the report with a review of the investment policy checklist noting that the Fund was in compliance on all items that were attainable.</p> <p>Mr. Calloway discussed the investment policy noting that rebalancing was necessary to bring the asset allocation in international equities to it's 10% target allocation and recommended that the funds be transferred from the fixed income portfolio.</p> <p>The Board thanked Mr. Calloway for his presentation who departed the meeting at 5:00 PM.</p>		
8.a.	The Trustees discussed amendments to the Summary Plan Description.	Edward Johnson made a motion to approve the Summary Plan Description as amended for distribution in December. Blanche Sherman seconded the motion, approved by the Trustees 5-0.	Jill Hanson
4.	The Trustees reviewed the disbursements.	Edward Johnson made a motion approve the disbursements. Frank Lacock seconded the motion, approved by the Trustees 5-0.	None Required
12.	The Trustees discussed receiving meeting materials that required action by the Board in advance of the meeting versus being presented during the meeting.	Edward Johnson made a motion that the Administrator provides financial statements, disbursements, and other meeting materials that would require the action of the Board along with the minutes and agenda in their meeting packages, which should be received five business days prior to meetings. Frank Lacock seconded the motion, approved by the Trustees 5-0.	PRC
8. b.c.	Mr. Baur reported that annual benefit statements would be provided at the Participant workshops in December 2003.		PRC

11. a.	Mr. Baur reported that the death benefit of Charlestine Kiley was under review and the buy-back calculation for lost service due to a service related injury had been prepared for Dennis Thomas. Mr. Baur reported that he was reviewing service credit for Participants hired prior to the inception of the Plan and also benefit payments commenced in 2003 that could be erroneous due to previously reported data problems.		PRC
13.	The appointment of Chairman & Secretary for the Board was addressed.	<p>Edward Johnson made a motion to elect Tom Lapins as the Chairman of the Board of Trustees. Frank Lacock seconded the motion, approved by the Trustees 5-0.</p> <p>Edward Johnson made a motion to elect Brian Anderson as Secretary. Frank Lacock seconded the motion. Tom Lapins then made a motion to elect Edward Johnson secretary of the Board of Trustees. Mike Donnelly seconded the motion, but Edward Johnson declined the nomination. A discussion ensued regarding the possible conflict between the role of a Trustee versus the role of a contract negotiator. To address concerns raised at the Board and to avoid any possible conflict of interest related to the current negotiations, the Trustees determined that Brian Anderson should not continue as Secretary of the Pension Board at this time. The motion was withdrawn. Edward Johnson withdrew his declination, and the Trustees approved the motion to make him Secretary by a vote of 5-0.</p> <p>Ms. Hanson agreed to draft a letter to all Trustees regarding their Fiduciary duties to the Plan for discussion at the next meeting.</p>	Jill Hanson
17. & 18.	There being no other business, and the next meeting having been previously scheduled for Tuesday December 16 at 10:30 AM the Trustees adjourned at 5:29 PM.	Blanche Sherman made a motion to adjourn, seconded by Edward Johnson, approved by the Trustees 6-0.	None Required

Sincerely,

Edward Johnson  
Secretary