

**ATU LOCAL 1596 PENSION FUND
MINUTES OF WORKSHOP
August 14, 2003**

Board Members Present:

Thomas Lapins- Chairman
Edward Johnson- LYNX Appointee
Blanche Sherman- LYNX Appointee (2:00 PM)
Mike Donnelly- Union Appointee
Frank Lacock- Union Appointee
Brian Anderson- Secretary

Others Present

Scott Baur & Nick Schiess- Fund Administrator
Jill Hanson & Catina Roberts- Fund Attorney
Larry Cole- Investment Monitor (3:00 PM)
Joyce Baldi – Lynx Human Resources
Desna Hunte – Lynx (1:15 PM)
Theora Braccialarghe – Actuary (3:45 PM)

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order.	11:20 AM	
2.	Tom Lapins reported that additional preparation was required to complete the Service Provider Review for Actuary and Attorney.	The Trustees tabled the Service Provider Review for Actuary and Attorney until the next meeting.	Tom Lapins Edward Johnson
5. b.	<p>Jill Hanson discussed the DROP participation of Bargaining Unit Members promoted to management. Ms. Hanson advised the Board that members should be permitted to enter into the DROP when promoted to management if at that time they meet the qualifications of the Plan, which is a minimum of 25 Years service.</p> <p>Ms. Hanson further explained that promoted members are eligible for the DROP because they still satisfy the requirements of the Plan Document.</p> <p>Ms. Hanson explained that while promoted members could enter the DROP or become entitled to a vested-deferred pension, they could not collect pension benefits while still employed with LYNX in a full-time position. It was noted that the disbursement of pension benefits to Participants while still employed could be considered an in-service distribution by the Internal Revenue Service, which may disqualify the Plan.</p>	Bargaining Unit Members promoted to management may enter the DROP if they have accrued 25 years of service. If less than 25 years of service, they would not be eligible for pension benefits until termination of service with LYNX.	None Required
5.b.	Ms. Hanson reported that Mr. John Polk had been promoted to		

	<p>management in November 2002 and had applied for and been awarded a monthly pension benefit. A lengthy discussion ensued regarding the circumstances behind the oversight. Members of the Human Resources Department reported that Mr. Polk had been personally advised on several separate occasions that this was not permissible. Ms. Hanson reviewed letter dated June 27, 2003 mailed to Mr. Polk informing him that he was not allowed to collect a pension payment while still employed with LYNX and of his option to address the Board regarding the matter.</p> <p>The Trustees discussed at length the options before the Board to resolve the matter. Ms. Hanson advised that the Board should immediately discontinue pension payments and also require the repayment of the pension payments already received by Mr. Polk. The Trustees discussed various repayment options. It was noted that Mr. Polk had not accrued the 25 years of service required to enter the DROP. Scott Baur reported that Mr. Polk had received a pension payment in the amount of \$294.85 per month totaling \$2,098.35 to date.</p> <p>The Trustees discussed at length several different options to prevent this problem in the future.</p>	<p>The Board determined to require the repayment of the pension payments to John Polk made in error allowing the repayment within one year without interest.</p> <p>The Trustees determined to revise the Application for Pension Benefits to include an additional question asking whether or not the applicant will continue employment with LYNX.</p>	PRC
8.	The Trustees discussed the expiration of the current Trustees' terms of service to the Board. It was determined that Blanche Sherman's term expires October 2003; Edward Johnson's term expires October 2004; and Brian Anderson's term expires October 2005. For the Union Appointees, it was determined that Tom Lapins' term expires October 2005 but was undetermined when Frank Lacock and Mike Donnelly's term expires.	The Trustees determined that additional research should be conducted into prior Minutes of the Union and Pension Board meetings to identify the election dates of the Union Appointees.	Frank Lacock Jill Hanson PRC
*	The meeting adjourned at 12:30 PM and reconvened at 1:30 PM.		
12.b	Jill Hanson discussed the provisions of the Fiduciary Liability Insurance. A question arose to whether or not an action could be brought against an individual Trustee for a breach of Fiduciary duty. Ms. Hanson explained that Trustees could be sued individually but the Board does maintain Fiduciary Liability Insurance from the Travelers Insurance Corporation, which protects the Trustees against such actions. Ms. Hanson added that policy contained an Elimination of Recourse Provision which protects the Trustee		

	<p>against recourse from the Insurance Company. Ms. Hanson noted that acts of deliberate fraud may be excluded from this insurance coverage.</p> <p>Mr. Baur reported that although Fiduciary Liability Insurance had been recently renewed, his office was researching into competitive coverage from the U.S. Specialty Insurance Company on the suggestion of Brian Anderson for the upcoming renewal date.</p>	Research competitive insurance quotes for Fiduciary Liability Insurance	PRC
5. b.	The Trustees questioned Desna Hunte on Lynx's position on Bargaining Unit Members promoted to management and subsequently entering the DROP. Ms. Hunte reported that although there was not an official management position, the Plan Document indicated that members could enter the DROP while employed in a management position. A discussion ensued to the Plan Provisions regarding the DROP and the length of time a Participant can remain in the DROP.	The Trustees determined that a Participant can remain in the DROP a maximum of five years at which time they could not be forced to terminate service but rather the monthly pension payments into their DROP account would be terminated.	None Required
5. a.	<p>John Polk appeared before the Board.</p> <p>Ms. Hanson reviewed for Mr. Polk the circumstances behind the erroneous payment of pension benefits during the time Mr. Polk continued employment with LYNX in management and explained that these payments were prohibited by the provisions of the Plan and the IRS. Mr. Polk addressed the Board claiming that he was unaware of such provisions and denied any intentional deception on his part.</p> <p>Ms. Hanson advised the Board to request Mr. Polk to return the pension payments to date made in error.</p> <p>Mr. Polk disagreed with the Board's decision and departed the meeting at 1:45 P.M.</p> <p>The Trustees discussed with Ms. Hanson different options to recover the erroneous pension payments. Although Mr. Polk was given great consideration it was deemed more important to not have the plan</p>	<p>Mike Donnelly made a motion to discontinue pension payments to John Polk and request that he return the disbursements made in error, seconded by Brian Anderson, and approved by the Trustees 5-0.</p> <p>The Board directed Ms. Hanson to mail a letter to Mr. Polk informing him in writing of the Board's decision.</p> <p>Ms. Hanson agreed to research prior rulings with respect to IRS guidelines for the recovery</p>	<p>Jill Hanson</p> <p>Jill Hanson</p>

	<p>disqualified for granting an in-service distribution.</p> <p>Ms. Hunte departed the meeting at 2:00 PM and Blanche Sherman joined the meeting at that time.</p>	of these monies.	
13.	<p>Scott Baur reported that the Actuarial Valuation was being prepared. Mr. Baur discussed with the Board numerous issues regarding the quality of data that had been reported to Pension Resource Center from LYNX. Mr. Baur provided the Board with a list of known data issues and reviewed the individual problems with the Trustees noting that many of the problems required assistance from LYNX in resolving. Blanche Sherman stated that the issues would take some time to resolve but the actuarial Valuation should not be delayed until the data issues were corrected.</p>		
9.	<p>Theora Braccialarghe provided the Board with a report to establish a funding standard account to reflect contributions in excess of the minimum required dollar contribution since October 1, 1987. Ms. Braccialarghe reviewed the report in great detail and then advised that establishing the funding account will result in a credit balance to offset future contributions in the amount of \$1,161,134 as of October 1, 2001. If the funding account was adopted by the Board, this excess would create a reserve that could offset funding requirements for the Plan and provide additional benefits to the participants.</p>	<p>The Board directed Ms. Braccialarghe to update the study to change the funding method and complete a projection for future plan funding requirements assuming the Plan earned the actuarial assumed rate of return for the next fiscal year.</p>	GRS
11.	<p>Larry Cole of Merrill Lynch Investment Services delivered the Investment Monitor Report. Mr. Cole reported that quarterly earnings as of June 30, 2003 were \$2,489,703 with fiscal year-to-date investment earnings of \$2,954,017. The asset allocation as of June 30, 2003 was 51% in equities; 46% in fixed income; and 3% in cash.</p> <p>Investment earnings were 8.4% for the quarter compared to the benchmark of 11.4% and the under performance was due to the Fund's below average asset allocation in equities, which showed strong performance.</p> <p>Mr. Cole reviewed the fixed income portfolio noting that investment return was 1.7% compared to 3.4% for the benchmark. He</p>		None Required

	<p>anticipated continued poor performance as a result of better news on the economy and rising interest rates.</p> <p>Mr. Cole continued the report with the performance returns on the individual Investment Managers noting that the total portfolio was well diversified. Mr. Cole recommended inviting ICC and Pimco to the next quarterly meeting to discuss performance. A review of the investment policy checklist showed the Fund to be in compliance on all items that are attainable.</p> <p>The Board thanked Mr. Cole for his presentation who departed the meeting at 3:45 PM.</p>		
3. b.	The Administrator addressed the Annual Benefit Statements.	The Board tabled the review of the Annual Benefit Statements to the next meeting	None required
6.	The Administrator furnished the Board with a Statement of Income & Expense and Balance Sheet for period ending June 2003 for review.	The Board tabled the review of Financial Statements to the next meeting	None Required
7.	The Trustees reviewed the disbursements.	The Board tabled the approval of the disbursements to the next meeting.	None Required
5.	The Administrator furnished the Board with lists of New Retirement Benefits and refunds of Contributions dating from May 2003 – July 2003. The Administrator noted that benefits have already been paid and the lists were provided for approval after the fact per the prior agreement with the Board. The Trustees discussed the information reported on the statements provided by the Administrator.	<p>Blanche Sherman made a motion to approve the benefits presented by the Administrator. Mike Donnelly seconded the motion, approved by the Trustees 6-0.</p> <p>The Trustees directed the Administrator to include the Date of Hire and Final Average Salary data to the statements while removing the Social Security Numbers.</p>	PRC
14. b.	The Administrator advised the Board the Morton Roberts' retirement benefit had commenced. The Trustees discussed the benefit, which may have commenced earlier had Mr. Roberts applied for the benefits when he was eligible. A discussion arose to the commencement date of the benefit and whether or not it should be changed. Ms. Hanson advised against commencing the benefit at an earlier date stating that the benefit should commence only after it is		PRC

	<p>actually applied for by the Participant.</p> <p>Trustees discussed procedures to remind vested-deferred Participants of their eligibility dates. It was noted that the Plan Document states that the Plan must mail a letter to vested-deferred Participants yearly after three years of separation from service.</p>	The Board directed the Administrator to mail vested-deferred Participants a notification of their benefits at the close of each Plan year.	
12. a.	Jill Hanson advised the Board that Vincent Santa commenced a Buy-Back of prior service and therefore the Board must move forward with the adoption of the Buy-Back provision. Ms. Hanson discussed with the Trustees the provisions of the Buy-Back noting that the Participant must restore the amount of refunded pension contributions plus 5% interest per year.	The Board directed Theora Braccialarghe to prepare an impact statement.	Theora Braccialarghe
16.	Jill Hanson reported on the status on the application for disability benefits for John Pratt. The Trustees discussed Mr. Pratt's application and the Plan provisions for granting a disability pension. It was noted that Mr. Pratt was receiving Social Security Disability Benefits, which automatically entitled a Participant to a disability pension under the Plan.	Mike Donnelly made approve the disability pension for John Pratt contingent upon the proof of receipt of Social Security benefits, seconded by Blanche Sherman, and approved by the Trustees 6-0.	PRC
4.	The Trustees reviewed the Minutes for the meeting of May 13, 2003.	Blanche Sherman made a motion to approve the Minutes for May 13, 2003, seconded by Brian Anderson, and approved by the Trustees 6-0.	None Required
17. & 18.	There being no other business, and the next meeting having been previously scheduled for Tuesday September 23 at 9:30 AM the Trustees adjourned at 5:23 PM.	Brian Anderson made a motion to adjourn, seconded by Blanche Sherman, and approved by the Trustees 6-0.	None Required

Sincerely,

Brian Anderson
Secretary