ATU LOCAL 1596 PENSION FUND
MINUTES OF WORKSHOP HELD
May 11, 2004

<u>Board Members Present:</u>
Thomas Lapins - Chairman
Brian Anderson - LYNX Appointee
Blanche Sherman - LYNX Appointee (10:30 AM)
Edward Johnson - LYNX Appointee (2:12 PM)
Frank Lacock - Union Appointee
Mike Snyder – Union Appointee (10:45 AM)

<u>Others Present</u>
Scott Baur and Nick Schiess - Fund Administrator
Jill Hanson - Fund Attorney
Tammy Farrell – Salem Trust Company
Theora Braccialarghe – Actuary (11:00 AM)
Desna Hunte – LYNX (10:40 AM)
Joyce Baldi – LYNX

Agenda Item	Discussion	Decision	Follow-up
1.	Workshop called to order at 10:00 AM.		
3.a.	Tammy Farrell appeared before the Board to discuss educational retirement workshops hosted by the Salem Trust Company. She explained that the workshops were partnered with other service providers and would include representation from the Social Security Administration. The topics included various issues of retirement and could be customized for the needs of the group. She advised that the workshops we provided at no charge for the Plan or Participants and financial products were not offered directly to the Participants at the workshops. A question arose whether Salem Trust in conjunction with the workshops sells products and Ms. Farrell replied that financial products were available only upon request. Ms. Farrell stated that the workshops were hosted to build name recognition in the event of a future need by the Participants. She then discussed the logistics of the workshops. The Board thanked Ms. Farrell who departed the meeting at 10:30 AM. A discussion arose whether to determine the interest level of the Participants prior to hosting the workshops. It was noted that the workshops were offered at no charge. Scott Baur noted that the likely purpose of hosting the workshops was to generate peripheral business for Salem Trust. A question arose as to whether this could be construed as an endorsement by the Plan and Jill Hanson advised that it was important that it should not appear that the Plan has endorsed any financial products or the Salem Trust Company and it	Further discussion of the workshops hosted by the Salem Trust Company was tabled until the next meeting.	None

	would be important to have proper disclaimer of such.		
9.a.	Paul Helmick appeared before the Board requesting to change his joint beneficiary. Jill Hanson reported that she had reviewed Mr. Helmick's divorce agreement and advised that it was silent on the issue of Mr. Helmick's pension survivorship benefits. Ms. Hanson explained to the Board and Mr. Helmick that the Plan provisions do not permit the reassignment of a joint pensioner after retirement. Therefore, a change to the Plan provisions would be required before Mr. Helmick's request could be accommodated. Mr. Hanson reported that the issue had been discussed with the Actuary who recommended that proof of good health be required and that the benefit be recalculated to take into consideration any age differential of the new joint beneficiary. It was noted that since the benefit was recalculated as the actuarial equivalent of the initial benefit, there was no cost to the plan. Ms. Hanson provided the Board with sample language to modify the Plan provision. A discussion arose regarding the Actuary's fees associated with the recalculation of the benefit in the event that the provision is amended and the Board determined that the Retiree would pay the Actuary's fee to recalculate the benefits.	The Board tabled further discussion regarding Mr. Helmick's request until the matter could be further discussed with the Actuary.	
2.	Theora Braccialarghe entered the meeting. The Trustees reviewed the minutes of the meeting held February 10, 2004.	Frank Lacock made a motion to approve the minutes, seconded by Brian Anderson, and approved by the Trustees 5-0.	None
4.	The Board discussed the benefit applications pending approval. The Administrator was questioned regarding the new procedure set forth in the last meeting requiring LYNX certification of employment status of all applicants for benefits. Nick Schiess advised the Board that new procedure has been implemented and the Administrator was notifying Human Resources of pending benefit applications and awaiting the notification of Participants' employment status prior to the issuance of benefits. Brian Anderson noted that retirees Rudolph Queeman and John Pratt were still on a leave of absence for disability but collecting pension benefits. It was noted that both Participants must terminate employment to be eligible for benefits under the Plan. Edward Johnson entered the meeting.	Jill Hanson agreed to write letters to Rudolph Queeman and John Pratt requesting that they submit letters of resignation.	Jill Hanson

	Scott Baur discussed the commencement date of benefits for Morton Roberts. Mr. Roberts' eligibility date for vested deferred benefits was April 1, 2003 but did he did not submit an application until January 2004. Mr. Baur reminded the Board that a determination had been made in a prior meeting that Participants must file an Application in order to commence benefits. However, Mr. Baur discussed language in the Plan regarding the commencement of pension benefits and noted that one provision stated that benefits should commence no later than 60 days from the end of a Plan year in which the Participant was eligible. Therefore, Mr. Robert's benefits should have commenced December 1, 2003 instead of February 1, 2004. A lengthy discussion arose as to whether a Participant must terminate prior to receiving a refund of pension contributions versus reducing their employment status from full-time to part-time. It was noted that the IRS guidelines prohibit an in-service distribution. A discussion arose regarding the certification of refunds of pension contributions by the Actuary. Ms. Braccialarghe advised that the calculations are relatively simple but dependent upon accurate data that she could not independently verify and therefore advised the Board that she could not accurately certify each refund as a matter of process. She suggested instead that some other procedure of verification be established with LYNX. Scott Baur discussed the mechanics of calculating a refund, which simply added interest to the data provided by LYNX. Blanche Sherman recommended that a method of independently reviewing the data be created and the Board discussed possible procedures to independently verify the data used to calculate refunds of pension contributions. A question arose whether those Participants who were partially vested that applied for a refund of contributions were completing a Waiver of Rights and Benefits as a matter of procedure set forth in the last meeting. Mr. Schiess replied that the procedure had been implemented.	It was determined that all participants must terminate prior to receiving a refund of contributions. Independent verification of data used to calculate refund of pension contributions was tabled until next meeting Blanche Sherman made a motion to approve the benefit applications, seconded by Frank Lacock, and approved by the Trustees 6-0.	PRC PRC None
*	The morning session of the meeting adjourned at 12:00 Noon.		

Sincerely,

Edward Johnson, Secretary

ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
May 11, 2004

Board Members Present:
Thomas Lapins - Chairman
Brian Anderson - LYNX Appointee
Blanche Sherman - LYNX Appointee
Edward Johnson - LYNX Appointee
Frank Lacock - Union Appointee
Mike Snyder – Union Appointee

Others Present
Scott Baur and Nick Schiess - Fund Administrator
Jill Hanson - Fund Attorney
Theora Braccialarghe – Actuary
Joyce Baldi – LYNX
Desna Hunte – LYNX
Jeff Swanson – Merrill Lynch (2:00 PM)

Agenda Item	Discussion	Decision	Follow-up
*	Meeting called to order at 1:07 PM.		
5.	The Trustees reviewed the disbursements presented by the administrator for approval.	Edward Johnson Made a motion to approve the disbursements, seconded by Blanche Sherman, and approved by the Trustees 6-0.	None
6.	The Board was presented the statement of income and expense, along with the balance sheet for the Plan.	The review of the statement of income and expense was tabled until the next meeting.	None
7.a.	Theora Braccialarghe appeared before the Board to present the Actuarial Valuation for the fiscal year ending October 1, 2003. She reported that the funding requirement for the 2004 fiscal year to make the Plan actuarially sound was $2,879,770 or 11.52% of payroll versus the 9.75% current contribution rate defined by the contract. The balance of the Funding Standard Account was $1,318,838 of which $350,000 would be required to offset the deficit in the funding. However, if payroll continues to grow, the deficit will decrease. She reported that the only benefit improvement was the provision that increased the benefit credit schedule .1% for an excess of 2500 hours worked. She then reported that the total investment return for the fiscal year was 12.9%, which increased the market value of the Plan from $28 million to $34 million. She noted that although this year's investment income was substantial, the negative experience for prior years had a negative impact on the costing of the Plan. She discussed the asset smoothing		

	technique and how the methodology averages market earnings and losses over a period of four years. Ms. Braccialarghe anticipated that the funding requirement would increase to 12.0% of payroll for several years and recommended that the rate of the employer contributions be increased to compensate for the increased funding requirements before the Funding Standard Account was depleted. A discussion arose to increasing the contribution rate. It was noted that State law requires that the Plan be properly funded but the contract specified that the contribution rate for LYNX was fixed at 9.75%. A discussion ensued regarding scheduling a meeting between the Board and with LYNX management to explain the increased funding requirement. Ms. Braccialarghe discussed an alternative amortization methodology for funding based upon a level rate of payroll versus the current method based upon a level dollar amount. She noted that this would lessen the contribution by .4% of payroll for 2004. However, this method cannot exceed the last 10-year average and only postpones the inevitable contributions. Ms. Braccialarghe discussed the Plan assumptions versus the actual experience of the Plan noting that the actual experience was less favorable than expected. She explained that the increase in funding was due mostly to investment losses of prior years. The increase of the actuarial valuation of assets was just 3.7% versus the assumption of 8%. The actual increase of salaries was 12.8% versus the assumption of 10.7%. A lengthy discussion arose regarding the various assumptions used to cost the Plan. Ms. Braccialarghe discussed performing an experience study to compare many of the Plan assumptions versus actual experience, which would result in more accurate assumptions for the future costing of the Plan. Ms. Braccialarghe anticipated that the experience study cost would require 5 months to complete.	The Board determined that a meeting with LYNX management should be scheduled to discuss future funding requirements. Tom Lapins agreed to draft letter to advise LYNX management of the issue and request a meeting. Blanche Sherman made a motion to accept the 2003 Actuarial Valuation. Frank Lacock seconded the motion.	
	The Board discussed the Plan provision that specified that a 501 hour limitation existed for any single continuous period of employment for which service is not performed, which applied to vesting and service credit. A question arose regarding whether Participant Mike Donnelly would earn one year of vesting credit for 2003 while out on a leave of absence. Mr. Baur reported that as January 1, 2004, a total of 584 hours of service had been reported for Mr. Donnelly and therefore he would be eligible to use a		

	maximum of 501 hours of sick leave towards the 1000 hour per year vesting requirement. It was noted that both employer and employee contributions were due for earnings for hours in excess of the 501 hour limitation and a question arose as to whether this benefited the employee. Ms. Braccialarghe noted that for retiring Participants, a maximum of 501 hours of any final payout for accrued sick and vacation time was used to calculate benefit credits for the final year of service and the total wages for the entire payout was used to calculate final average salary on a pro-rated basis determined by the Actuary. Scott Baur advised that for Participants on a leave of absence, data reporting for service from a leave of absence and thus subject to the 501hour limitation could not be distinguished from regular payroll. The Board noted that it was important for the Administrator to be advised of payroll data for earnings from sick and vacation time for Participants on a leave of absence. Scott Baur stated that Participants frequently questioned the Administrator regarding vesting and many Participants desire to terminate just before they are fully vested in order to receive a refund of their pension contributions. He questioned the Board whether sick or vacation earnings applied towards full vesting. He noted that the information on final sick and vacation pay is not available until far after termination and expressed concern over being able to provide Participants with accurate information regarding their vesting status. The Board advised Mr. Baur that final sick and vacation payouts, within the 501 limitation, was included as hours towards vesting.	The issue of devising a procedure to advise the Administrator of hours of service reported was during a leave of absence was tabled until the next meeting. The Administrator was directed to advise Participants requesting information on vesting status that final sick and vacation payouts, within the 501 limitation, was to be included as hours towards vesting.	
9.c.	The Board discussed adding an increased enhanced benefit option of 5%. Ms. Braccialarghe advised that the cost to the Participant would be more than double the cost of providing the existing 2.5% enhanced benefit as the cost of providing the original benefit could actually change over time and she recommended a cost study to determine the actual cost. Blanche Sherman departed the meeting at 2:34 PM.	The Board tabled the discussion of increasing the enhanced benefit until after the experience study was completed by the Actuary.	GRS
9.a.	A discussion arose regarding Paul Helmick's request to change beneficiary. Ms. Braccialarghe expressed concern over anti-	Jill Hanson agreed to draft an Amendment to the Plan and present to the Board for the next meeting	Jill Hanson

	selection wherein a change in health would prompt a Participant to change their beneficiary resulting in a financial impact upon the Plan. A question arose regarding whether the Plan should be amended to allow a Participant to change their beneficiary in the event of divorce or remarriage. Ms. Braccialarghe explained that if the Plan was amended, the benefit must be recalculated according to age of Participant and substitute beneficiary. It was noted that the optional form of payment would not change, only the beneficiary. The Board discussed setting forth guidelines and requirements including proof of health. It was determined that if the Plan was amended, the Participant would bear all associated expenses including health exams and the cost of the Actuary's fees for the calculation itself.	for further discussion.	
9.c.	Jill Hanson provided the Board with a proposed Amendment revising the Plan's provisions on disability pensions. She reminded the Board that at the last meeting, the Trustees discussed the Plan provisions and noted that whether a Participant was determined as disabled may be contingent upon whether there was another position available at LYNX, possibly creating an unfair arbitrary standard. The Amendment redefined the definition so that the Participant: cannot perform the duties of their own occupation; extend the waiting period from 90 days to at least 18 months; or is required to furnish clear and convincing evidence of a disability if not determined disabled by the Social Security Administration or LYNX's long-term disability insurance company. Blanche Sherman re-entered the meeting. A lengthy discussion arose at to whether the revision would lessen the requirement and therefore adversely affect the Plan. The Trustees discussed the language in the Amendment. Brian Anderson expressed his concern that the disability benefits would be automatic after collecting 18 months of long-term disability insurance. A discussion arose regarding income offsets for Participants that enter another occupation while receiving disability pension benefits. After a careful and thorough discussion, the Trustees agreed that additional provisions be added to the Amendment: review of Participants health conditions after the 18 month waiting period; integrated earnings to provide for income offsets for outside employment; and removal of the language "would	Jill Hanson agreed to revise the Amendment pursuant the changes determined by the Board.	Jill Hanson

	receive greater income under the Plan than under the Employers long-term disability".		
8.a.	Jeff Swanson appeared before the Board to provide an investment performance report for quarter ending March 31, 2004. As of March 31, 2004, the Plan had total assets of $38,854,660 with 39.1% of assets allocated to fixed income, 4.6% to cash, and 56.5% to equities. The investment return for the quarter was 3.3% versus the index of 4.4%, ranking the Plan in the 11th percentile. Mr. Swanson reviewed the investment performance of the individual Investment Managers. The return of ICC was 1.3% versus the index of 3.0% and Mr. Swanson attributed the underperformance to a defensive posture. The return of EuroPacifac was 6.8%, which outperformed the index of 4.4%. Sanford Bernstein's return was 3.6% versus the index of 3.0%. PIMCO's return was 5.0% versus index of .08%. He noted that international, small-cap, and mid-cap equities helped performance.		
8.b.	Mr. Swanson reported that PIMCO was under review and had been fined by the Securities Exchange Commission for corporate governance issues. He noted that the primary portfolio manager, Ken Corva, had resigned. He advised that this would likely affect future performance and recommended that Board terminate PIMCO. Mr. Swanson provided the Board with a manager search report for possible replacement large cap Investment Managers. He advised that the principal consideration for evaluating the managers was consistency of returns. He reported that only two managers, Davis, Hamilton, Jackson, & Associates and Fayez, Sarofirm, & Company would accept less than a $10 million minimum for a separate account. Three other managers presented, Montag & Cladwell, Capital Research & Management Company (Amerifunds), and Chase Investment Council, offered co-mingled funds. Mr. Swanson discussed in detail long-term investment performance, risk versus return measures, and management style of each the managers. He noted that Capital Research & Management Company (Amerifunds), and Chase Investment Council would not provide personal performance reports to the Board. Mr. Swanson then compared the fee structure of each manager. The Trustees discussed with Mr. Swanson in great detail	Brian Anderson made a motion to hire Capital Research & Management Company. Blanche Sherman seconded the motion, approved by the Trustees 6-0. Frank Lacock made a motion to terminate PIMCO and transfer the entire balance of funds to Capital Research & Management Company. Edward Johnson seconded the motion, approved by the Trustees 6-0.	

	the performance and other factors of Capital Research & Management Company (Amerifunds). Mr. Swanson noted that this fund was very diversified with a very tenured portfolio management team. A lengthy and careful discussion ensued regarding the performance, risk, and fees structures of the Investment Managers proposed by Mr. Swanson and whether to retain PIMCO		
9.d.	As a follow up to the last meeting, Jill Hanson provided the Board with information regarding a fee increase for legal services. She proposed an annual retainer of $20,000, to include all matters except litigation. Edward Johnson reported that he had reviewed the prior billing for legal services and recommended the proposal.	Edward Johnson made a motion to approve the proposed agreement for legal services effective January 1, 2004. Blanche Sherman seconded the motion, approved by the Trustees 6-0.	Jill Hanson
11. b.	Jill Hanson provided the Board with a letter dated February 3, 2004 with a legal opinion on the restitution of mistakenly paid benefits. Scott Baur provided the Board with a list of Participants that were underpaid or overpaid. Mr. Baur discussed the circumstances behind the erroneous payments and assured the Board that data issues that contributed to the erroneous payments were resolved. The Board discussed the process of certification of pension benefits and it was noted that the Actuary was to certify all benefit calculations. The Board discussed the underpayments and Ms. Hanson recommended that the benefits be corrected immediately with a retroactive to the date of requirement. A discussion arose regarding whether to apply interest to the retroactive benefits and which interest rate was appropriate. The Board then discussed the overpayments. Ms. Hanson discussed the Board's different options for handling the matter. Ms. Hanson noted that if the Board determined that the overpayments were resultant from mistakes of fact, it would be reasonable to revise the pension benefits to the correct amount and even request recovery for the sum of the overpayments. However, if the Board determined that the mistakes were due to differing interpretations of Plan provisions, the Board could determine whether to agree with an interpretation or revise the benefit payments. The Trustees discussed the benefit overpayment to Sheila Anzalone and determined that the Plan language was ambiguous enough to allow differing interpretations of the benefits. The Trustees discussed the remaining benefit overpayments and determined that they were indeed mistakes of fact. A discussion	Edward Johnson made a motion to authorize the immediate correction of benefit underpayment payments retroactively back to the date of retirement plus the federal interest rate. Brian Anderson seconded the motion, approved by the Trustees 6-0. Brian Anderson made a motion to not revise the benefit for Sheila Anzalone because the Plan language was ambiguous enough to accept the Administrator's interpretation. Frank Lacock seconded the motion, approved by the Trustees 6-0. Brian Anderson made a motion to correct the benefits overpayments without recovery with a 60 day written notification. Edward Johnson seconded the motion, approved by the Trustees 6-0.	PRC None Jill Hanson

	arose regarding the recovery of the overpayment to-date.		
10.b.	Nick Schiess updated the Board on the Administrator's online benefit calculator noting that additional programming was still required but the system should be available soon. Scott Baur advised that the system would also provide Participants with DROP and Share account balances.		None
12.	A discussion arose regarding interest on refunds of pension contributions past the date of termination. Scott Baur notified the Board that the system inherited from the prior Administrator calculated interest only until the date of termination. Jill Hanson noted that the Plan provisions did not specifically address the payment of interest after termination. The Board discussed the payment of a reduced interest rate from date of termination to the date the refund is issued.	Edward Johnson made a motion to authorize the payment of interest at the rate of 2% on refunds of pension contributions for the period of time from the date of termination until the date payment is issued. Blanche Sherman seconded the motion, approved by the Trustees 6-0.	PRC
10.	Scott Baur advised the Trustees that their financial disclosure forms were required to be filed with the Supervisor of Elections in their county of residence by July 31, 2004 and provided the forms.		None
10.a.	Scott Baur reported that the issue of the proper service credit for individuals hire prior to the plan inception date was still not resolved.	The Board directed the Administrator to follow up with LYNX regarding service credit before Plan inception.	PRC
10.c.	Nick Schiess provided the Board with a quote for the renewal of the fiduciary liability insurance issued by the Travelers Insurance Company. Mr. Schiess noted that the annual premium had increased from $11,471.00 to $12,456.00. He informed the Board that premiums had increased across the board for the other plans under administration by the Pension Resource Center. Pursuant to the direction of the Board last year, he reported that quotes were requested from the insurance company U.S. Specialties but the company declined to issue coverage for union plans.	Edward Johnson made a motion to authorize the renewal of fiduciary liability insurance issued by the Travelers Insurance Company for the annual premium of $12,456.00. Blanche Sherman seconded the motion, approved by the Trustees 6-0.	PRC
11.a.	Blanche Sherman reported that LYNX agreed to issue payment for the employer contributions owed to the Plan for the period that contributions were missed. She advised that for the employee contributions, the participants affected will be notified in writing of	LYNX would remit missing employer contributions, payroll deduct the employee contributions, and notify the Participants in writing of the issue and copy the Attorney on the letter.	Blanche Sherman

	the missing contributions, which will be payroll deducted in small amounts over time. Tom Lapins requested that a copy of the letter be provided to the Attorney.		
12.	Blanche Sherman notified the Board that a Management Comment Letter presented in conjunction of the performance of the 2003 Audit of LYNX noted that the employee pension data of the Actuary was not consistent with the related employee personnel files of LYNX. It was noted that data was forwarded from LYNX to Administrator and in turn to the Actuary. Although no error of material concern was found, the Auditor commented that accurate data was essential to the costing of the Plan and suggested controls. Scott Baur discussed the known issues of data weaknesses and advised that all data issues had been resolved prior to 2003 Actuarial Valuation. Ms. Sherman discussed the periodic review and testing of data suggested by the Auditor. Mr. Baur noted that data was transferred to the Actuary only at the end of the fiscal year and recommended annual sampling of data at that date. Jill Hanson recommended that Ms. Sherman mail a copy of the letter to Cherry, Bekaert, & Holland for review.	Blanche Sherman agreed to mail a copy of the Management Comment Letter to Cherry, Bekaert, & Holland for review.	
17. & 18.	There being no other business, and the next meeting having been previously scheduled for Tuesday August 10, 2004, the meeting adjourned at 5:41 PM.	Blanche Sherman made a motion to adjourn, seconded by Edward Johnson, approved by the Trustees 6-0.	None

Sincerely,

Edward Johnson, Secretary