

**ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
November 8, 2005**

Board Members Present:

Thomas Lapins - Chairman
 Brian Anderson - LYNX Appointee
 Blanche Sherman - LYNX Appointee (10:55 A.M.)
 Lisa Darnall - LYNX Appointee
 Maryann Taylor- Union Appointee
 Tom Fagan – Union Appointee

Others Present

Scott Baur and Nick Schiess - Plan Administrator
 Jill Hanson - Plan Attorney
 Joyce Baldi – LYNX
 Sylvia Mendez – LYNX (1:30 P.M.)
 Bob Doane – ATU Local 1596
 Bert Francis – LYNX
 Desna Hunte – LYNX
 Nadine Schaal – LYNX Attorney (1:30 P.M.)
 Jeff Swanson - Merrill Lynch Consulting Services
 Paul Wilson - ATU Local 1596

| Agenda Item | Discussion | Decision | Follow-up |
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| 1. | Meeting called to order at 10:32 A.M. | | None |
| 2. | The Trustees reviewed the minutes of the meeting held August 10, 2005. | Lisa Darnall made a motion to approve the minutes of the meeting held August 10, 2005, seconded by Tom Fagan, approved by the Trustees 5-0. | None |
| * | A discussion arose regarding the expiration of the terms of office for Trustees Tom Lapins and Brian Anderson and the timing of the transition of new Trustees. Jill Hanson noted that the Plan document specified that the transition was to occur as the last item on the agenda prior to adjournment during the last meeting of the calendar year. | | None |
| 6.a. | The Trustees reviewed the list of retirement benefit approvals and refunds of pension contributions provided by the Administrator. Nick Schiess confirmed that proper procedure had been followed in the processing of the benefits including the confirmation of termination dates by LYNX. A question arose regarding the regarding the disposition of pension benefits for members promoted to management. Nick | Tom Fagan made a motion to approve the benefits as presented. Brian Anderson seconded the motion, approved by the Trustees 5-0. | None |

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| | <p>Schiess advised that a non-vested member would receive a refund of pension contributions, a fully vested member would receive a vested deferred pension at normal retirement age, and a partially vested member would have the option of either a refund of contributions or a partial vested deferred benefit.</p> <p>Blanche Sherman entered the meeting.</p> | | |
| 6. b | <p>Scott Baur updated the Board on the Participant enrollment in the optional enhanced benefit and share accounts. He provided a statistical report on the historical enrollment of both accounts noting that the enrollment in both accounts had steadily increased and the result for the Members participating in these options was likely an increased vested stake in their employment with the Agency.</p> <p>A discussion arose regarding a method to increase communication regarding the benefits of the enhanced benefit option to the Members.</p> | <p>The Administrator agreed to include a simple illustration of the differences in a pension benefit with the enhanced benefit option.</p> | |
| 3.b. | <p>The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period September 30, 2005.</p> <p>The Administrator was questioned regarding the investment management fees and Scott Baur noted that investment management fees were incurred for only two direct managers, Alliance Bernstein and ICC Capital Management. The balance of the Plan's investments were managed in mutual funds, which were inclusive of fees.</p> <p>A discussion arose regarding the verification of refunds of pension contributions. Scott Baur explained that the Actuary did not certify refunds of contributions because the Actuary was unable to verify pension contributions as the Administrator was the record keeper and the amounts were determined from data furnished by the Agency. He further explained that only the Agency was in a position to verify data it had previously provided to the Administrator. Blanche Sherman noted the importance of the verification of pension contributions and a discussion arose regarding a methodology for such. The</p> | <p>The Board received and filed the financial statements for the period ending September 30, 2005.</p> <p>Blanche Sherman agreed to examine alternative methods for the verification of pension contributions with the Human Resources Department and report back to the Board.</p> | <p>None</p> <p>Blanche Sherman</p> |

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| | Administrator noted that the processing time required for a refund of contributions was already 6-8 weeks and stressed that a method of verification should be efficient in order not to further delay the process. | | |
| 3.a. | The Trustees reviewed the list of disbursements presented for approval. A question arose regarding disbursements for conference expenses since a Trustee was unable to attend a conference. Scott Baur noted that the list contains all disbursements actually issued and did not reflect any subsequent adjustments. Nick Schiess noted that refund had already received from the conference sponsor and the hotel for the conference expenses. | Blanche Sherman made a motion to authorize the disbursements as presented, seconded by Tom Fagan, and approved by the Trustees 6-0. | |
| 7.b. | Jill Hanson reported that a review of the Audit Engagement Letter with in conjunction with the 2004 audit of the Plan had been conducted. She noted that provisions regarding an interest penalty and right to settlement of disputes were unacceptable and recommended that the Board approve the Agreement contingent to the successful negotiation of the disputed provisions and grant the Chairman the authority for the Chairman to executed the document. | Blanche Sherman made a motion to approve the Audit Engagement Letter contingent to the negotiation of the disputed provisions by the Attorney, seconded by Tom Fagan, approved by the Trustees 6-0. | Jill Hanson |
| * | The meeting adjourned at 11:35 A.M. for lunch and reconvened at 12:15 P.M. | | None |
| 4.b. | Jill Hanson provided the Board with the responses for the request for proposal for administrative and investment consulting services. She reviewed the responses for administrative services noting that either some of the potential candidates either did not respond or failed to meet the specified criteria. Ms. Hanson noted that for the proposal for investment consultant services that the firm Gabriel, Roeder, & Smith requested an brief extension due to the recent hurricane and the Board agreed to provide an extension. A discussion arose regarding the review of the proposals. | The Board scheduled a special meeting on December 16, 2006 to review the proposals for administrative and investment consulting services. Brian Anderson and Tom Fagan agreed to perform a subcommittee review of he responses and provide recommendations to the Board at the special meeting. | Board Brian Anderson Tom Fagan |
| 7.d. | Jill Hanson advised that the revised Summary Plan Description had been previously provided to the Board for review and must soon be provided to the Participants. She noted that the revised disability provisions had been included in the document, however, the Agency had expressed concerns with | | |

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| | <p>the new provisions. She recommended that the revised Summary Plan Description be distributed with a notification that the revised disability provisions were under review.</p> | | |
| 4.a. | <p>Jill Hanson provided the Board with an update on the recent LYNX audit committee meeting, wherein the Chairperson, Attorney, and Administrator had attended. She advised that mutual consent had been obtained for the greater exchange of information between the Board and the Agency. She recommended scheduling an annual report to the Agency for the exchange of actuarial and investment performance information as well as a summary of Plan activity. She discussed the Agency's concerns with both funding requirements and also accounting standards given the recent publicity surrounding the bankruptcy of pension plans. She advised that the Agency had been reassured regarding the tighter accounting standards and controls for governmental pension plans. She discussed the Agency's concerns over the exposure to the Agency in the event that the Board adopted benefits irresponsibly.</p> <p>Ms. Hanson was questioned regarding the personal liability of the Trustees in the event that the Agency was unable to continue to fund the Plan and Ms. Hanson advised that the Trustees would not be liable unless there was a breach of fiduciary responsibility due to irresponsible behavior. Ms. Hanson was questioned whether any liability existed in the event that the recent adoption of the disability amendment was reversed and Ms. Hanson responded that no liability existed. It was noted that the Board retained fiduciary liability insurance to protect the Trustees from personal liability for their actions on the Board. Sylvia Mendes noted the importance of the Trustees to being informed of the concerns of the Agency.</p> | | |
| 5. | <p>Jeff Swanson appeared before the Board to provide a report of the investment performance of the portfolio for the quarter ending September 30, 2005. The market value of the portfolio for the quarter ending September 30, 2005 was \$47,820,700 and investment earnings were \$1,596,836, which represented an investment return of 3.5% versus 2.7% for the</p> | | |

benchmark. The fiscal year return was 12.6%, which exceeded the actuarial assumption.

Mr. Swanson reviewed the Plan's asset allocation and reviewed prior recommendations that the Board increase the internal equity allocation from 10% to 15% and the addition of a direct real estate asset class. The Board questioned the basis for the 15% allocation to international equities and Mr. Swanson explained that international equities were anticipated to outperform domestic equities of the long run and also provided additional diversification.

Mr. Swanson was questioned regarding the universe used for the comparison of returns and he responded that the basis was the Merrill Lynch universe, which was representative of other pensions plans, Mr. Swanson was requested to provide a comparison to an alternative universe in future reports and he agreed.

Mr. Swanson discussed portfolio return versus risk noting that outperformance of the benchmark had been achieved with less volatility and risk compared to the index, which was attributable to the diversification of the portfolio.

Mr. Swanson continued his report with a review of the performance of the individual investment managers for the quarter ending June 30, 2005. He explained that the performance of Alliance Bernstein was satisfactory with less risk than the index. The Growth Fund of America has outperformed the index since inception. The international mutual fund performance average of 28.6% was well above the index for the fiscal year. He reported that the ICC fixed income portfolio had experienced performance issues, which appeared to have been corrected. He explained that the conservative position of the portfolio, while modestly detracting from recent performance, should add value in the anticipated rising interest rate environment.

Mr. Swanson continued his report with a review of the compliance checklist noting that all items were within compliance and the performance objectives that were

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| | <p>attainable had been met. He then reviewed the investment management fees and commission recapture.</p> <p>Mr. Swanson was questioned regarding the length of the cue to enter the J.P. Morgan direct real estate fund and he responded that the cue was greater than one year as was the cue for similar products. The Board requested updates on the performance of the fund and Mr. Swanson agreed to reevaluate performance prior to the entry into the fund.</p> <p>Mr. Swanson was questioned whether Merrill Lynch monitored corporate governance issues and he responded that only performance was considered, however, proxy voting was monitored.</p> <p>Mr. Swanson provided the Board with a proposed revised Investment Policy Statement containing revised provisions for the inclusion of direct real estate, increasing the international equity allocation, and relaxing the quality guidelines for the fixed income portfolio to include BBB bonds in the fixed income portfolio. He noted that BBB bonds were still considered investment grade quality and their inclusion would allow increased performance from the fixed income portfolio.</p> <p>Mr. Swanson discussed the proposal for investment consultant services noting that the fees were \$27,500 annually, however, were offset by 12b-1 credits. He noted that the retainer increased with the addition of investment managers. He then discussed an alternative fee structure of 5 basis points with a 76% commission recapture rate in lieu of the current fee structure with a 50% recapture rate. A discussion arose regarding the increase in recapture percentage and ultimately Mr. Swanson agreed to increase recapture percentage under either fee structure.</p> | | |
| 7.f. | <p>Scott Baur, pursuant to Mr. Lapin's request, discussed alternative options to the current distribution options of DROP and share accounts. He noted that the current options do not provide for the continuance of an account after termination but rather only a full distribution from the Plan. He discussed the</p> | | |

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| | <p>more flexible options of other pension plans noting that the increased flexibility would benefit members. He suggested allowing rollovers from other accounts into either share or DROP accounts, partial distributions, and the continuance of the accounts with interest at either a variable or fixed rate. A discussion arose and Scott Baur agreed to provide the Board with additional information at the next meeting.</p> | <p>PRC to provide the Board with additional information at the next meeting.</p> | <p>PRC</p> |
| 4.a. | <p>Jill Hanson reviewed correspondence from Silvia Mendez dated September 30, 2005 regarding the adoption of the Amendment revising the disability provisions of the Plan. The Agency's position was that the revised provisions might commit LYNX to an unknown cost and the audit committee requested information regarding the potential costs to the Plan resultant from increased utilization. A lengthy discussion ensued and Ms. Hanson advised that it was uncertain whether the Actuary would be able to provide information regarding utilization. Tom Lapins noted that the streamlining and coordination of benefits with the LYNX long-term disability Plan might result in a cost savings. Scott Baur noted that the revised provisions clearly placed the Plan as a secondary payer to the LYNX long-term disability plan. Nadine Schaal expressed a concern that the eligibility requirements had been revised. It was concluded by all present that a comparison of the revised and prior disability provisions be provided to the Agency. It was noted that the Actuary had not altered assumptions regarding the anticipated number of disability benefits.</p> | <p>Comparison of the revised and prior disability provisions be provided to the Agency.</p> | <p>Board</p> |
| 8. | <p>Jill Hanson welcomed Bert Francis as the new LYNX appointed Trustee and Bob Doane as the new Union appointed Trustee replacing Brian Anderson and Tom Lapins respectively.</p> <p>She discussed the guidelines to the appointment of Board officers noting that the Chairperson must be a Union appointee and the Secretary must be a LYNX appointee. Blanch Sherman nominated Tom Fagan to the position of Chairperson. Maryanne Taylor nominated Bob Doane to the</p> | | |

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| | <p>position of Chairperson. A vote was taken and was tied 3-3. Jill Hanson discussed alternate methods of resolving tied votes noting that one alternative acceptable under state law was a coin toss. The Board decided that a coin toss would settle the election and Bob Doane won the coin toss becoming the new Chairperson of the Board. Lisa Darnall nominated Blanche Sherman to the position of as Secretary. No other nominations were made and a vote was taken with the results of Blanche Sherman being unanimously appointed to the position of Secretary.</p> | <p>Bob Doane appointed Chairperson. Blanche Sherman appointed Secretary.</p> | |
| 9. | <p>The Board scheduled quarterly meetings on the dates of February 14, May 9, August 8, and November 14, 2006.</p> | | |
| 10. | <p>The meeting adjourned at 2:49 P.M.</p> | | None |

Respectfully submitted,

Blanche Sherman, Secretary