ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
MARCH 16, 2005

Board Members Present:
Thomas Lapins - Chairman
Brian Anderson - LYNX Appointee
Blanche Sherman - LYNX Appointee
Lisa Darnell- LYNX Appointee
Maryann Taylor- Union Appointee
Tom Fagen – Union Appointee

Others Present
Scott Baur and Nick Schiess - Fund Administrator
Jill Hanson - Fund Attorney
Joyce Baldi – LYNX (11:00) AM
Silvia Mendez – LYNX (11:00) AM
Robert Smith – LYNX (11:00) AM
Edward Johnson – LYNX
Jeff Swanson – Merrill Lynch Consulting (3:15 PM)

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 1:06 PM.		None
2.	Peter Alfele appeared before the Board on the behalf of Cherry, Bekaert, & Holland LLP to present the Financial Statements for the fiscal year ending September 30, 2004. Mr. Alfele advised that the firm had issued an opinion that the financial statements are presented fairly in all material respects in accordance with Government Auditing Standards. He noted that no material weaknesses in the financial statements had been discovered. Mr. Alfele then provided the Board with a copy of a Management Discussion and Analysis, which was a narrative overview of the financial statements and a new requirement that must accompany the financial statements. Mr. Alfele discussed the funding progress of the Plan noting that the 89.6% funded ratio of the Plan was exceptionally high. He reviewed the schedule of employer contributions noting that the 2004 employer funding was less than the amount set forth by the Plan's Actuary due to subsidized funding from the recently established Funding Standard Account. The Board noted that without further explanation published within the		

	audit, the less than 100% funding from LYNX could be misconstrued. Mr. Alfele reviewed the financial statements for the Plan in great detail and discussed the Plan's assets, liabilities, funding, and expenses for the fiscal year ending September 30, 2004. Net Plan assets were $39,931,735, which increased by $5,641,587 or 16% and was primarily attributable to contributions to the Plan. Benefit payments increased from $784,131 to $1,033,448. Mr. Alfele noted a significant increase is actuarial expenses and Scott Baur explained that two valuations and additional actuarial services were performed within the fiscal year. The Board discussed the administrative expenses of the Plan and Mr. Alfele concluded that the expenses were reasonable. Edward Johnson departed the meeting. Silvia Mendez, Robert Smith, and Joyce Baldi entered the meeting. Mr. Alfele then provided the Board with a Management Letter and discussed a previous recommendation to the Board from the previous Audit that still remained valid. He noted that a formal procedure did not exist to notify the Administrator of terminations from employment therefore many former Participants have not withdrawn their employee contributions from the Plan. Scott Baur noted that many terminations back as far as the year 2000 have not resulted in refunds of pension contributions. Mr. Baur recommended that a notification via mail be provided to the former Participants that have not withdrawn their contributions. Joyce Baldi reported that notifications to the former Participants had already been recently mailed. The Board discussed a procedure to implement the notification to the Administrator of terminations and the subsequent notification to Participants regarding the disposition of their contributions and rights under the Plan. Mr. Alfele was provided a representation letter.	Mr. Alfele agreed to amend the Audit with the appropriate explanation of the employer funding. Jill Hanson agreed to draft an election form to remain in the Plan or apply for a refund of pension contributions.	Peter Alfele Jill Hanson
3.	Tom Lapins welcomed Robert Smith and Silvia Mendez to the meeting and advised that the purpose of the management roundtable was to establish communication with management		

	and to involve management with the operation of the Plan. Robert Smith announced his pleasure to attend the meeting.		
3. c.	Mr. Lapins discussed the scheduling of an annual workshop with LYNX management to coincide with the presentation of the Actuarial Valuation noting that it would be important for management to be present for the discussion regarding the funding of the Plan. Mr. Smith expressed his interest in remaining engaged with the future meetings of the Board.		
3. b.	Tom Lapins discussed the permitting of bargaining unit Participants promoted to management to remain in the Plan, noting that the matter had been considered previously by the former LYNX management team but had not been adopted. Silvia Mendez advised that a concern was whether the tax qualified status of the administrative Plan would be jeopardized if the bargaining unit Plan members were afforded the option to remain in the bargaining unit Plan. Ms. Mendez agreed to research the matter further with the Attorney for LYNX. Scott Baur noted that the pension Plan was becoming increasingly important for bargaining unit Participants and not allowing Participants promoted into management to remain in the Plan was a disincentive to promotion into management.		
3. c.	Tom Lapins discussed the implementation of future benefit improvements. He noted that historically the Board had the sole authority to adopt benefit improvements. He also noted that the Board had been very conservative in the adoption of benefit improvements, however, any future adoption of benefit improvements would impact the funding requirements of the Plan. Mr. Lapins noted that the Board should adopt benefit improvements whenever feasible, however, he did not desire to expose the Authority to unreasonable funding increases as a result. Mr. Lapins advised that the Board should not adopt benefit improvements arbitrarily and recommended the establishment of policy for the adoption of benefit improvements. He noted that past benefit improvements have been based upon funding available from an excess of the 9.75% required employer contribution as reported by the Plan's Actuary. Jill Hanson noted that the Statutes specify that the Authority has the responsibility of maintaining the financial		

	soundness of the Plan. Mr. Lapins noted that the Board has adopted Plan Amendments that only affect policy as well as those that required additional funding. Roberts Smith advised that it was important for him to attain a sense of legal duty and then discuss the matter further with the Board. Mr. Smith was provided with a Plan document containing the history and the provisions of the Plan. Jill Hanson discussed the fiduciary responsibility and duties of Trustees. She advised that under Florida Law, Trustees must act in the best interest of the Plan Participants and their Beneficiaries. She noted that while the Trustees have their respective management and labor roles outside of the meetings, their fiduciary duty must take precedent while functioning as Trustees of the Plan. She advised that Trustees are mandated to improve benefits whenever prudent and reasonable. Mr. Baur noted that the $1.4 million reserve in the Funding Standard Account was a result of the past prudence of the Board and was held as a reserve for future unforeseen events.		
	The meeting adjourned at 12:22 AM for lunch and reconvened at 3:15 PM		
4. b.	Jeff Swanson appeared before the Board to provide an investment performance report. For the quarter ending December 31, 2004, the investment return was 7.0%, which represented investment earnings of $2,802,746 and slightly exceeded the portfolio's 6.9% benchmark. Mr. Swanson discussed the asset allocation noting that the portfolio's diversification was helpful to overall performance as the international and mid-cap asset classes returns were 20% and 24% respectively in the prior fiscal year. He discussed the fixed income portfolio noting that the Investment Council Company had underperformed their respective benchmark over the long-term and although the bond portfolio was defensively postured, the performance was unacceptable. He discussed the Board's options regarding the bond manager, which were to either terminate the manager, retain the manager, or split the bond portfolio between two bond managers. Mr. Swanson recommended the termination of		

	Investment Council Company and provided the Board with alternative prospective fixed income managers. He discussed the alternative managers and ultimately recommended PIMCO because it was the largest firm. He noted that the PIMCO product was a commingled fund while the other prospective managers offered a separate account.		
	Mr. Swanson reviewed the compliance checklist, performance checklist, and trading fees summary, noting that all items were in compliance.		
4. a.	Mr. Swanson provided the Board with an asset allocation review. He reviewed the historical versus expected return noting that the expected future investment return was less than had been historically achieved and the anticipated the fixed income return to be 3-4% per year. He anticipated an 8.3% yearly return with the current asset allocation. Mr. Swanson discussed high yield, international bonds, and direct real estate as alternative asset classes and then reviewed the risk versus return of these asset classes. Mr. Swanson provided the Board with an asset allocation mix forecast and discussed risk adjusted forecast results for various alternative allocation mixes. He noted that the addition of direct real estate further diversified the portfolio and lowered overall risk. Mr. Swanson recommended that 10% of the total portfolio be allocated to direct real estate. He reviewed a survey of other public pension plans noting that the majority of defined benefit plans responding to the survey reported an average allocation of 4.2% to direct real estate.		
	Mr. Swanson discussed direct real estate in great detail noting the products available to the Plan were a large co-mingled funds of income producing office, retail, hotel, and industrial properties. He discussed the historical performance of direct real estate noting that returns did not correlate with the capital markets thus providing further diversification for the portfolio. He noted that rental income not capital appreciation constituted the majority of the historical investment return. Mr. Swanson the provided the Board with a list of prospective direct real estate investment managers and recommended that the Board interview several managers as finalists.		

	Jill Hanson expressed concern over past investment losses and the illiquidity of real estate investments and questioned whether a 10% allocation was prudent. Mr. Swanson responded that investment into real estate had dramatically changed since the past and advised that a 10% allocation was prudent. Mr. Swanson was questioned whether a rating service existed for direct real estate managers and he responded that although there is not a rating service, the list of prospective managers provided to the Board contained the largest managers in this market. Mr. Swanson was questioned regarding the risk of direct real estate and he responded that while potential for depreciation existed on capital, the asset class was historically less volatile due to realization of rental income. Maryann Taylor and Blanche Sherman departed the meeting.	The Board decided to interview JP Morgan Fleming and UBS/Aetna as prospective direct real estate investment managers	Jeff Swanson PRC
	The Board noted that Secretary Edward Johnson had resigned as Trustee and therefore the position of Secretary was vacant. Maryann Taylor reentered the meeting.	Tom Fagen made a motion to appoint Brian Anderson as Secretary. Lisa Darnell seconded the motion, approved by the Trustees 4-0.	None
	The meeting adjourned at 4:22 P.M.		None

Respectfully submitted,

Brian Anderson, Secretary