ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
May 10, 2005

Board Members Present:
Thomas Lapins - Chairman
Brian Anderson - LYNX Appointee
Blanche Sherman - LYNX Appointee (10:20 AM)
Lisa Darnall - LYNX Appointee
Maryann Taylor- Union Appointee
Tom Fagan – Union Appointee

Others Present
Scott Baur and Nick Schiess - Fund Administrator
Jill Hanson - Fund Attorney
Joyce Baldi – LYNX (10:45 A.M.)
Sylvia Mendez – LYNX (11:00 A.M.)
Bob Doane
George Ochs and Michael Smith, JP Morgan Fleming
Ronald Lanier, Global Asset Management
Paul Wilson

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 10:05 AM.		None
2.a.	George Ochs and portfolio manager Michael Smith appeared before the Board on behalf of JP Morgan Fleming to deliver an investment manager presentation on direct real estate. Mr. Ochs discussed the qualifications of the firm noting that the product, Strategic Property Fund, was a commingled fund with $11.4B of assets under management with over 140 clients. He explained that the firm had over thirty years of experience and was one of the largest in the market. Mr. Smith discussed the portfolio management team and the firm's organizational structure. Blanche Sherman entered the meeting. Mr. Ochs was questioned regarding the market and economic influences on direct real estate and he responded that direct real estate would provide greater diversification for the Plan's overall portfolio as the asset class was not tied directly to capital markets and performance was usually the inverse of equities in a market downturn. He explained that a poorly geographically diversified direct real estate portfolio was		

	however, subject to risk but the product presented to the Board was broadly geographically diversified. Mr. Ochs then discussed the sector and geographical allocations of the portfolio noting that the portfolio was diversified into the industrial, multi-family, office, and retail space in a multitude of geographical locations. Jill Hanson questioned Mr. Ochs regarding the risk to the Plan citing that investors in the past had suffered severe losses in real estate and she also expressed concern over the liquidity of the asset class. Mr. Ochs stated that the Plan should not over allocate to the asset class, as it was liquid but not as liquid as equities. He noted the Plan was long-term in nature and the benefit of diversification outweighed the liquidity issue. He explained that a cue existed to enter the mutual fund of over a year and to liquidate required 45 days notice and then the Plan would be placed in the exit cue, which required the entry of a replacement client into the mutual fund before the funds could be disbursed to the Plan. Mr. Ochs then explained that the losses in the real estate in the 1980's was attributable to over building without corresponding demand and also other factors that do not exist in the current market. In addition, the portfolio consisted of high quality rental properties versus single-family housing, which was the sector affected in the 1980's. Mr. Ochs was questioned whether the portfolio consisted of developing properties and he responded that only existing properties were considered for inclusion in the portfolio. He discussed market factor and economic conditions and anticipated that the investment return on the portfolio would be 100 basis points above the NCREIF index. Mr. Ochs was questioned regarding the valuation process of the portfolio and he responded that the portfolio was appraised by the firm four times per year and twice per year by an independent auditor. Mr. Ochs was questioned regarding liquidity in the event that a multitude of clients requested to redeem their mutual fund shares and he responded that fund would be disbursed to investors on a pro-rate basis until the balance was disbursed in full. Jeff Swanson entered the meeting. Mr. Ochs reviewed the performance of the portfolio noting that the investment return for the trailing one-year period was 18.4% and for the three-year trailing period was 11.8%. He		

	anticipated performance of 8-10% for the next several years of which only 2-3% would be derived from capital appreciation. He advised that fees were 100 basis points. Mr. Ochs was questioned regarding the competitive advantages of JP Morgan Fleming over UBS Global Asset Management Realty Investors and responded that the portfolio was more diversified and performance was slightly higher. George Ochs and Michael Smith departed the meeting and Sylvia Mendez entered the meeting.		None
2.b.	Ronald Lanier appeared before the Board on behalf of UBS Global Asset Management Realty Investors to deliver an investment manager presentation on direct real estate. Mr. Lanier discussed the qualifications of the firm noting that the firm managed over $10.6 in assets, had been in business for over 27 years, and direct real estate consisted of 62% of the firm's total business activities. He discussed the experience and qualifications of the portfolio management team. He then discussed in great detail the investment process and geographical and sector allocations. Jeff Swanson noted that UBS Global Asset Management Realty Investors would agree to become a fiduciary to the Plan. Mr. Lanier was questioned regarding the competitive advantages of UBS Global Asset Management Realty Investors over JP Morgan Fleming and he responded that the portfolio contained a higher allocation to multi-family rental properties and had the lowest leverage ratio in the industry, which resulted in a more conservative portfolio. Mr. Lanier noted that the product contained over $6.6B in assets. He continued his presentation with a review of performance noting that the investment return since inception was 9.64% and for the trailing one year period was 16.27%. He explained that the performance objective was 5% above the CPI for a three to five year period. Mr. Lanier discussed the valuation process of the portfolio noting that the portfolio was appraised by the firm four times per year and twice per year by an independent auditor. He was questioned whether the internal appraisal differed than the independent auditor's appraisal and he responded that the independent auditor's		

	appraisal was usually 2-3% higher than the firm's appraisal. Mr. Lanier explained that a cue existed to enter the mutual fund of over a year and to liquidate required 45 days notice and then the Plan would be placed in the exit cue, which required the entry of a replacement client into the mutual fund before the funds could be disbursed to the Plan. Mr. Lanier was questioned regarding liquidity in the event that a multitude of clients requested to liquidate their mutual fund shares and he responded that fund would be disbursed to investors on a pro-rate basis until the balance was disbursed in full. Mr. Lanier discussed the investment management fees noting that the fees were 105 to 130 basis points on invested assts only but not cash. He explained that the fees included a performance incentive based upon performance attained above the CPI. Mr. Lanier was questioned whether other small Pension Funds were clients and he responded that many smaller funds were clients. Mr. Lanier departed the meeting.		None
3.	Jeff Swanson discussed the presentations and qualifications of UBS Global Asset Management Realty Investors and JP Morgan Fleming noting that both firms were qualified candidates. He noted that performance was comparable, fees were similar in consideration of the performance incentive for UBS Global Asset Management Realty Investors, and both firms were among the largest in the market. Mr. Swanson explained that the leverage ratio for UBS Global Asset Management Realty Investors was lower, however, the leverage ratio for both firms fluctuated depending upon the new acquisitions. He noted that the largest difference between the two firms was the appraisal process and UBS Global Asset Management Realty Investors appraisal process was more aggressive. Mr. Swanson discussed the performance and other characteristics of the direct real estate asset class in great detail noting that it was the direct ownership of real estate. He explained that the asset was liquid and compared the difference of the asset class to REITs. He explained that the primary component of the investment return was rental income		

	not capital appreciation. He Mr. Swanson also explained that the risk associated with the asset class was no greater than other asset classes. He also noted that the Agreement was non-binding and recommended that the Board select a manager, enter the cue, and ultimately decide whether to proceed and determine the allocation to invest once the Plan's rotation in the cue occurred. A lengthy and careful discussion ensued regarding the asset class itself and the presentations of UBS Global Asset Management Realty Investors and JP Morgan Fleming. Brian Anderson expressed concern that the asset class contained excessive risk. Mr. Swanson advised that the risk was not as great as equities and historically the asset class had achieved excellent performance and suffered less downgrades that either equities or fixed income. He noted that the asset class was not publicly traded therefore not overvalued as were REIT's. The Board continued deliberation on the asset class carefully considering risk, performance, and other factors. Mr. Swanson recommended an allocation of 10% of the total portfolio to direct real estate. Blanche Sherman departed the meeting. Mr. Swanson reviewed the Plan's asset allocation. He discussed domestic and international economic conditions and market factors and recommended the addition of another international investment manager with a complimentary style and increasing the allocation form 10% to 15%. Mr. Swanson reviewed the performance of the Plan's Investment managers noting that all mangers exceeded their respective benchmarks with the exception of ICC Capital Management. He then discussed the long-term underperformance of ICC Capital Management and attributed the underperformance to an ultra conservative strategy. He recommended further consideration of the replacement of the manager at a future meeting. Mr. Swanson concluded his report with a review of investment management fees and commission recapture.	Tom Fagan made a motion for the addition of direct real estate as an asset class to the Plan's portfolio, seconded by Maryann Taylor, approved by the Trustees 6-0. Tom Fagan made a motion to engage the investment management services of JP Morgan Fleming, seconded by Brian Anderson, approved by the Trustees 6-0. The Board determined that Mr. Swanson should further discuss the replacement of ICC Capital Management in conjunction with the Actuarial Valuation at a special meeting to be scheduled upon the completion of the Valuation.	Jeff Swanson Board Jeff Swanson Board
	The meeting adjourned at 1:15 P.M. for lunch and reconvened		

	at 2:20 P.M.		
4.	The Trustees reviewed the minutes of the meetings held February 18, March 15, and March 16, 2005. Scott Baur noted some minor corrections.	Brian Anderson made a motion to approve the minutes of the meetings held February 18, March 15, and March 16, 2005 as amended, seconded by Maryann Taylor, approved by the Trustees 4-0.	None
5.a.	The Trustees reviewed the list of disbursements presented for approval. A question arose regarding an invoice from Ellen Schaeffer in the amount of $250. Scott Baur explained that the invoice was a one-time charge for an internet security certificate for the implementation of the system for online access for Participants to access their DROP and share accounts.		
	Tom Fagan questioned the reason the administrative fees for the Plan were the responsibility of the Plan as the administrative fees had been accepted as the responsibility of LYNX pursuant to the Agreement for the inception of the Plan. Lisa Darnall re-entered the meeting. Brian Anderson questioned the reimbursement to the Administrator for the amount of $183.81 for hotel reimbursement. Mr. Baur explained that the reimbursement was for the hotel accommodations associated with the overnight stay for himself, Nick Schiess, and Jill Hanson on March 15, 2005 in conjunction with the Board meetings on March 15-16, 2005.	Jill Hanson agreed to research the matter of the party responsible for the administrative fees of the Plan.	Jill Hanson
	Brian Anderson questioned the reimbursement to the Attorney in the amount of $84.25 for copies and whether these copies were part of the Attorney's retainer. It was noted that the matter had been previously addressed by the Board and it had been determined that copies and other incidentals such as postage were not included in the Attorney's retainer. Mr. Anderson reviewed the minutes of the meeting held May 11, 2004 wherein it had been noted that the Attorney's retainer was inclusive of all charges. Ms. Hanson provided the Board with a copy of the Agreement for legal services wherein it was	The Board agreed that copies and other incidentals such as postage were not included in the Attorney's retainer. The Administrator was directed to amend the minutes of the meeting held May 2004. Lisa Darnall made a motion to authorize the disbursements as presented, seconded by Tom Fagan, and approved by the Trustees 5-0.	PRC

	specified that copies and other incidentals were not included in the Attorney’s retainer.		
7.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 hire and termination dates by LYNX.	Brian Anderson made a motion to approve the benefits as presented. Maryann Taylor seconded the motion, approved by the Trustees 5-0	None
7.b.	Nick Schiess reported that the first and second notifications had been mailed to Participants who owed contributions to the Plan. He provided the Board with a report indicating the status of those Participants who had either reimbursed the Plan in full or agreed to payroll deductions. A discussion arose regarding those Participants that had not responded to the notifications.	The Board directed the Administrator to mail a final notification to those participants who had not responded to the prior notifications and report back to the Board at the next meeting.	None
7.d.	Nick Schiess provided the Board with a quote from the Travelers Insurance Company for the renewal of fiduciary liability insurance in the amount of $12,626 annually. He noted that the quote included a small increase in the amount of $150 from the prior year. Jill Hanson explained that the insurance contained an elimination of recourse endorsement, which prevented the insurer from suing the Trustees individually as result of claims paid by the insurer. She noted that for the endorsement to be valid, the annual premium of $125 for the endorsement cannot be issued from the assets of the Plan and therefore must come from another source. A discussion arose regarding the premium for the elimination of recourse endorsement and it was decided to discuss the matter further with Blanche Sherman upon her re-entry into the meeting.		
7.e.	Scott Baur provided the Board with an updated Salem Trust Authorization Form for execution		None
  7.d.	Blanche Sherman and Sylvia Mendez re-entered the meeting Nick Schiess explained to Ms. Sherman the matter of the elimination of recourse endorsement to the fiduciary liability insurance. A discussion arose regarding the payment of the $105 premium for the elimination of recourse endorsement. Scott Baur noted that to ensure the timely renewal of the fiduciary liability insurance, the Administrator should issue	The Board agreed that the $125 premium for the elimination of recourse endorsement to the fiduciary liability insurance should be spilt equally between LYNZ and the Union. The Board agreed that to ensure the timely	PRC

	payment for the $105 premium for the elimination of recourse endorsement and accept reimbursement from the Union and LYNX separately.	renewal of the fiduciary liability insurance, the Administrator should issue payment for the $105 premium for the elimination of recourse endorsement and accept reimbursement from the Union and LYNX separately. Maryann Taylor agreed to request payment from the Union for $52.50.	LYNX Maryann Taylor
7.f.	As a follow up to the last meeting, Nick Schiess provided the Board with a revised Designation of Beneficiary Form. The Board reviewed the form and recommended alterations to the form. A discussion ensued regarding the legal ramifications of the designation of contingent beneficiaries. Maryann Taylor departed the meeting	Nick Schiess agreed to revise the Designation of Beneficiary Form pursuant to the direction of the Board. Jill Hanson agreed to research the legal ramifications of the designation of contingent beneficiaries.	PRC Jill Hanson
7.c.	Nick Schiess announced that pursuant to the direction of the chairperson, a notification had been mailed to 279 Participants without a designation of beneficiary, which advised the Participants that the Plan did not have a designation of beneficiary on file and included the applicable form and a stamped return envelope.	The Board determined that a sufficient amount of effort had been made to obtain a designation of beneficiary from the Participants of the Plan.	None
5.b.	The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period ending March 30, 2005.	Blanche Sherman made a motion to receive and file the financial statements. Lisa Darnall seconded the motion, approved by the Trustees 5-0.	None
6.b.	Maryann Taylor re-entered the meeting Jill Hanson provided the Board with the previously adopted Amendment 6 revising the disability provisions to the Plan for execution. She advised that the Amendment had been previously deemed by the Actuary not to have an actuarial impact upon the Plan and will request verification in writing from the Actuary.	The Board executed Amendment 6 contingent upon the written confirmation from the Actuary that revision in the disability provision would not have an actuarial impact upon the Plan.	Jill Hanson Actuary
6.a.	Jill Hanson reported that the Plan Document and Summary Plan Description would require revision, however, recent communication received from the Internal Revenue Service regarding the recently submitted tax determination letter must be addressed first. She advised that the deadline for the technical revisions to the Plan document to resolve the matter		

	of the tax-qualified status of the Plan was May 11, 2005. Ms. Hanson provided the Board with a draft of Amendment 7 adopting the required technical changes within the Plan document noting that the Board could either adopt Amendment 7 or withdraw the tax determination letter and re-file the letter within 90 days without additional costs. She reported that Amendment 7 had been provided to the Actuary for review, however, the Actuary required additional time to review the Amendment. Ms. Hanson recommended that the Board withdraw the tax determination letter and re-file the letter once Amendment 7 was adopted. Ms. Hanson recommended that the revision of the Summary Plan Description.	The Board agreed to withdraw the tax determination letter and re-file the letter once Amendment 7 was adopted. The Board agreed to authorize the Attorney to draft the revised Summary Plan Description and present the document to the Board at the next meeting.	Jill Hanson Actuary Jill Hanson
8.a.	Sylvia Mendez addressed the Board regarding the matter of allowing bargaining unit Members to remain in the ATU Local 1596 Pension Plan after promotion to management. She expressed concerns over the tax-qualified status of the management Plan, associated costs, and the contract with the Supervisor's Union. Ms. Mendez requested a cost study of the impact of allowing bargaining unit Participants to remain in the ATU Local 1596 Pension Plan after promotion to management.		Sylvia Mendez Actuary Board
8.	Tom Lapins announced that he was resigning from the Board. It was noted that former Trustee Bob Doane would be appointed as Mr. Lapins' replacement by the Union. A discussion arose regarding an educational conference scheduled prior to Mr. Doane becoming a Trustee and whether it was appropriate to allow Mr. Doane to attend the conference as a substitute for Mr. Lapins	Tom Fagan made a motion to allow Bob Doane to Attend the October FPPTA Conference in lieu of Tom Lapins. Maryann Taylor seconded the motion, approved by the Trustees 6-0	None
8.	The Board review policy regarding the periodic review of service providers and it was noted that a review of the contracts for Investment Consultant and Administrator were scheduled for this year. It was also noted that the review requires initial review by a subcommittee consisting of one Union and one Lynx Trustee who will review the contacts and provide recommendations to the Board.	Brian Anderson and Tom Fagan agreed to review the contracts for Investment Consultant and Administrator and provide recommendations to the Board at the next meeting. The Administrator agreed to provide Mr. Anderson and Mr. Fagan with the applicable contracts.	Brian Anderson Tom Fagan PRC

9.	The Trustees discussed the pending matters before the Board.	The Board agreed to schedule a special meeting in June to address the Actuarial Valuation, management roundtable and bargaining unit Participants promoted to management with the date contingent upon the completion of the Actuarial Valuation and the availability of the Actuary. The Board also agreed to schedule a special meeting in July to address the matters of the Investment Consultant's recommendations for changes in investment managers and asset allocation and the tax termination letter in July.	Board
10.	The meeting adjourned at 4:15 P.M.		None

Respectfully submitted,

Brian Anderson, Secretary