

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

**Board Members Present:**

Thomas Lapins - Chairman  
Brian Anderson - LYNX Appointee  
Blanche Sherman - LYNX Appointee (1:30 P.M.)  
Lisa Darnall - LYNX Appointee  
Maryann Taylor- Union Appointee  
Tom Fagan – Union Appointee

**Others Present**

Scott Baur and Nick Schiess - Fund Administrator  
Paul Wilson - ATU Local 1596  
Joyce Baldi  
Sylvia Mendez – LYNX (1:30 P.M.)  
Bob Doane  
Densa Hunte

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Follow-up</b>
1.	Meeting called to order at 10:15 AM.		None
	Tom Lapins discussed the direct real estate proposal from Investment Manager JP Morgan the last meeting noting the Board was previously advised that the Plan was able to enter the cue to prior to the execution of an Agreement, however, it appeared that the Plan must first execute an Agreement prior to entering the cue. It was noted that the Attorney must review the Agreement and the matter would be discussed further with the Investment Consultant later during the meeting. A discussion arose regarding the target allocation to direct real estate and it was noted that the Investment Consultant had recommended an allocation of 10%. It was noted that the allocation was a function of the Investment Policy, which must be amended to include the additional asset class.		
2.	Jeff Swanson joined the meeting via teleconference to provide a report of the investment performance of the portfolio for the quarter ending June 30, 2005. The market value of the portfolio for the quarter ending June 30, 2005 was \$45,306,310 and investment earnings were \$1,098,167, which represented an investment return of 2.5% versus 2.4% for the benchmark. The fiscal-year-to-date return was 8.8% versus the benchmark		

	<p>of 8.1%.</p> <p>Mr. Swanson reviewed the Plan's asset allocation noting an equity allocation of 63% versus the policy target of 60%. He then reviewed the performance of the individual investment managers for the quarter ending June 30, 2005. The performance for Alliance Bernstein was 1.7%, which equaled the index. The Growth Fund of America has outperformed the index since inception. The international mutual fund performance average of 22.7% over the previous two years, has helped overall performance of the total portfolio. Mr. Swanson reported that the ICC performance of 6.0% versus the benchmark of 6.9% for the quarter was concerning, however, the portfolio had historically less volatility than the benchmark and the fiscal-year-to-date performance of 3.8% exceeded the benchmark of 3.7%.</p> <p>Mr. Swanson provided the Board with responses from Merrill Lynch Consulting Services addressing a questionnaire recently published by the Securities and Exchange Commission regarding the business practices of Investment Consultants and possible conflicts of interests.</p> <p>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 attainable had been met. He then reviewed the investment management fees and commission recapture.</p> <p>Mr. Swanson discussed the matter of the cue to enter the JP Morgan direct real estate investment fund. He noted that while confusion existed over whether an Agreement was required to enter the cue, he had confirmed with the manager that an Agreement must be executed prior to entering the cue. Mr. Lapins expressed concern over the miscommunication. Mr. Swanson advised that JP Morgan was very reputable and the largest manager in the direct real estate market and he did not understand the reason for the misinformation provided during the presentation. Mr. Swanson was questioned regarding the target allocation for direct real estate. Mr. Swanson recommended an initial allocation of 10% with a maximum limit of 15% and he agreed to revise the Investment Policy.</p>	<p>Jeff Swanson agreed to amend the investment policy for the inclusion of direct real estate as an asset class.</p>	<p>Jeff Swanson</p>
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3.	<p>The Trustees reviewed the minutes of the meeting held May 10, 2005 and a correction was noted. Mr. Lapins questioned the statement within the minutes that direct real estate was liquid, as the investment did not appear to be liquid. Nick Schiess reviewed the notes from the meeting confirming that the Investment Consultant had stated that the investment was liquid.</p>	<p>Tom Fagan made a motion to approve the minutes of the meeting held May 10, 2005 as corrected, seconded by Maryann Taylor, approved by the Trustees 5-0.</p> <p>The Board noted that clarification on the liquidity of direct real estate must be obtained from the Investment Consultant at the next meeting.</p>	Board
5.	<p>Scott Baur explained that Jill Hanson was unable to attend the meeting due to a family emergency and that most items under the Attorney report including the revised summary Plan Description and Internal Revenue Service tax determination letter would be deferred until the next meeting.</p> <p>Mr. Baur provided the Board with a memorandum from the Attorney regarding the Investment Consultant to identify possible conflicts of interests. He noted that while Mr. Swanson had presented responses from Merrill Lynch Consultant Services to the questionnaire published by the Securities Exchange Commission, the memorandum from the Attorney contained additional questions regarding the business practices of consultants. He noted that concerns existed in the investment consulting industry that advice regarding the selection of investment managers might be biased due to direct and indirect compensation received by the consultants from managers. He also noted that this did not necessarily apply to Merrill Lynch Consulting Services but was rather a prudent investigation that was being currently conducted in general by many pension boards.</p> <p>The Board noted that the Agency had requested clarification on Amendment 6 revising the disability provisions of the Plan and reviewed a copy of a memorandum dated June 23, 2005 regarding the matter. A question arose whether an impact study had been received from the Actuary for Amendment 6 and Scott Baur reported that the Administrator had received the impact study. A question arose whether the revised provisions impacted the cost of the Plan and Mr. Baur advised that the Actuary had determined that the funding requirements of the Plan did not increase, however, the overall experience of the Plan might be affected.</p>		

	<p>The Board reviewed the revised Designation of Beneficiary Form and discussed the legal ramifications of the distribution of death benefits to multiple primary or secondary beneficiaries.</p> <p>Bonnie Jensen joined the meeting via teleconference on behalf of Hanson, Perry, &amp; Jensen. She discussed the recent publicity surrounding possible conflicts of interests in the investment consulting industry and reported that the Securities and Exchange Commission in conjunction with the Department of Labor devised a questionnaire for investment consultants regarding their business practices. The Board was provided with the questionnaire along with additional questions devised by Hanson, Perry, &amp; Jensen and Ms. Jensen recommended that the Board discuss the questions with the Investment Consultant at a future meeting. The Board discussed the additional questions and Ms. Jensen agreed to address the questions with the Investment Consultant.</p>		
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 hire and termination dates by LYNX.	Maryann Taylor made a motion to approve the benefits as presented. Lisa Darnall seconded the motion, approved by the Trustees 5-0	None
6.b	Nick Schiess provided the Board with a report of the remaining Participants owing contributions to the Plan that had not agreed to repayment despite numerous notifications. A discussion arose regarding the recovery of contributions. It was noted that the amounts owed were relatively small. The Board concluded that further recovery efforts were not warranted and discussed the possibility of withholding the amounts owed from future benefit payments.	Maryann Taylor made a motion to withhold Participant contributions owed to the Plan from future benefit payments. Lisa Darnall seconded the motion, approved by the Trustees 5-0.	PRC
6.	Nick Schiess reported that a death search had been conducted to identify deceased retirees to avoid unwarranted benefit pension payments. He noted that retirees May Price and Mary Swanson had been identified in the report as deceased. Mr. Schiess advised that benefit payments were immediately suspended and verification of their respective reported deaths was attempted. He reported that in both cases a		None

	misidentification had occurred by the party performing the death search and the benefit payments were immediately reinstated once the Participants submitted an Affidavit attesting that the were in fact living was obtained. He advised that frequently misidentifications occur as a result of incorrect social security information and other factors and the Administrator as a matter of process always independently verifies death reports.		
6.f.	Nick Schiess reported that erroneous benefit payments had been identified for retirees Kenneth Keller and Edward Rome. He explained that the vesting percentage schedule was inappropriately applied by the prior Administrator to Mr. Keller's benefits, which was no longer applicable at normal retirement age as was the case for Mr. Keller and resulted in an underpayment of benefits. Mr. Schiess reported that during the years 2002 and 2003, erroneous data received from the Agency resulted in the doubling of hours for Participants and prior to the correction of data, a benefit calculation was performed for Edward Rome that overstated hours resulting in overstated benefit credits and therefore Mr. Rome's benefits were overpaid. He noted that the benefits for both retirees were being re-evaluated by the Actuary and given the precedent established by the Board from previous benefit payment issues, the Participant's benefits would be adjusted upon receipt of the recalculation of the Actuary.		None
	The meeting adjourned at 12:30 P.M. for lunch and reconvened at 1:30 P.M. Blanche Sherman and Silvia Mendez joined the meeting.		None
6.e	Scott Baur announced that a mail out for the enrollment in the share account and enhanced benefits for the 2005-2006 fiscal year would soon be conducted. He noted that the additional tier on the enhanced benefit necessitated modification of the Administrator's systems, which would result in a pass through cost to the Plan.		PRC
4.a.	The Trustees reviewed the list of disbursements presented for approval. It was noted that the disbursement in the amount of \$209.64 reference check number 2060 issued on the date of	Tom Fagan made a motion to authorize the disbursements as presented, seconded by Lisa Darnall, and approved by the Trustees 6-0.	None

	June 14, 2005 was a duplicate payment issued to Trustee Brian Anderson for conference expenses and was not cashed by Mr. Anderson.		
4.b.	<p>The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period ending June 30, 2005.</p> <p>A discussion arose regarding the management of the Plan's cash balance and bank charges for the Plan's checking account. Scott Baur noted that the Plan incurred small and reasonable fees on the checking account because the cash balance was intentionally maintained at minimal levels.</p>	Blanche Sherman made a motion to receive and file the financial statements. Tom Fagan seconded the motion, approved by the Trustees 6-0.	None
7.a.	The Board addressed the matter of allowing bargaining unit Members to remain in the ATU Local 1596 Pension Plan after promotion to management and decided that the matter would be tabled until a special meeting.		Board
7.b.	<p>Brian Anderson and Tom Fagan provided the Board with a report on the periodic review of service providers noting that rotation of the review had entailed the evaluation of the Agreements for Administrator and Investment Consultant.</p> <p>Mr. Fagan and Mr. Anderson reported that after review of the contract for the Investment Consultant, they had concluded that the Agreement was satisfactory.</p> <p>Mr. Fagan and Mr. Anderson reported that after review of the contract for Administrator, they had recommended the consideration of the evaluation of other Administrators and explore the possibility of administration by the Agency. Mr. Baur noted that a proposed revised Agreement had been provided for review, which further delineated the details of the reimbursement of the Administrator for pass through costs to the Plan. The Administrator was questioned whether there existed within the Agreement for administrative services a provision of fiduciary responsibility and also the termination period. Mr. Baur responded that the Agreement provided for a thirty day termination notice by the Plan and also that the Administrator had agreed to be a fiduciary of the Plan.</p> <p>A lengthy discussion ensued and the Board noted that while</p>	The Board decided to send out a Request for Proposal for administrative and investment consulting services.	

	<p>the administrative and investment consulting services were satisfactory, it would be prudent for the Trustees to evaluate proposals from other service providers.</p> <p>A discussion arose regarding the request for proposal process itself.</p>	Jill Hanson agreed to send out the Request for Proposal for administrative and investment consulting services. Brian Anderson and Tom Fagan agreed to evaluate the proposals and report to the Board.	Jill Hanson Tom Fagan Brian Anderson
8.	The Trustees discussed the pending matters before the Board.	The Board agreed to schedule a special meeting on August 26, 2005 to address the Actuarial Valuation, bargaining unit Participants promoted to management, and the process of adopting Plan improvements.	Board
9.	The meeting adjourned at 4:01 P.M.		None

Respectfully submitted,

Brian Anderson, Secretary