

**ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
March 10, 2006**

Board Members Present:

Robert Doane - Chairman
Bert Francis- LYNX Appointee
Blanche Sherman - LYNX Appointee
Lisa Darnall - LYNX Appointee
Maryann Taylor- Union Appointee (10:30 A.M.)
Tom Fagan – Union Appointee

Others Present

Nick Schiess - Plan Administrator
Jill Hanson - Plan Attorney
Joyce Baldi – LYNX
Sylvia Mendez – LYNX (1:10 P.M.)
Jeff Swanson - Merrill Lynch Consulting Services
Desna Hunte – LYNX (1:10 P.M.)
Nadine Schaal – LYNX Attorney (1:10 P.M.)
Paul Wilson - ATU Local 1596

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 10:10 A.M.		None
4.	The Trustees reviewed the minutes of the meetings held November 8, 2005 and December 16, 2005.	Tom Fagan made a motion to approve the minutes of the meetings held November 8, 2005 and December 16, 2005, seconded by Bert Francis, approved by the Trustees 5-0.	None
5.	The Board reviewed the application for disability benefits submitted by Pedro Mendez. It was noted that Mr. Mendez had qualified for social security benefits and qualified for disability benefits under the previous disability provisions of the Plan.	Blanche Sherman made a motion to award disability benefits to Pedro Mendez, seconded by Tom Fagan, approved by the Trustees 5-0.	None
7.	Jill Hanson provided the Board with an update on the amendment to the Plan revising the disability provisions. As requested by the Board and Agency at the last meeting, Ms. Hanson provided the Board with a comparison of the previous and revised disability provisions. Ms. Hanson reported that the Agency had refused to execute notification to the State of the Agency's awareness of the Amendment and obligation to fund any associated additional costs. Ms. Hanson provided the Board with notification from the Actuary confirming that the Actuary had considered the revisions	The Board agreed to provide the Agency with the comparison of the previous and revised disability provisions, identify LYNX's legal requirements to execute the notification to the State, and request a response on the matter from the Agency.	

	<p>in the disability provision to have no financial impact upon the Plan.</p> <p>Ms. Hanson advised that action is required because a situation might occur in which the Board must consider an application for disability benefits in which the Applicant might possibly meet the revised requirements for benefits. She noted that State statutes required that a statement of financial impact of benefit changes be provided to the State. It was again noted that there were no anticipated costs associated with the revised disability provisions and the intent was to shift partial costs to LYNX's long-term insurance company.</p> <p>A question arose whether it was LYNX's legal right to elect to request bargaining over the issue and ms. Hanson confirmed that it was the Agency's legal right under State statutes.</p>	<p>Tom Fagan made a motion to formally request LYNX to advise the Board on it's position of the disability amendment once it has received the requested comparison prior to the next meeting on May 9, 2006, seconded by Bert Francis, approved by the Trustees 6-0.</p>	
3.a.	<p>Jeff Swanson appeared before the Board to present a proposal for investment consulting services. He discussed the qualifications and experience of the firm noting that Merrill Lynch Consulting Services only served institutional clients, managed over 75 Billion in assets, and was the incumbent to Plan for 12 years.</p> <p>He explained that the fee was an all inclusive retainer, which did not provide an incentive to recommend additional services such as investment manager searches. Mr. Swanson provided a proposal with two fee options of either a retainer of \$27,500 or 5 basis points on assets both options with a 67% rebate on commission recapture and 12b-1 fees. He recommended the flat percentage option, as it would be the most economical in the event the Board added additional investment managers.</p>		None
3.b.	<p>Mr. Swanson provided a report of the investment performance of the portfolio for the quarter ending December 31, 2005. The market value of the portfolio for the quarter ending December 31, 2005 was \$49,703,570 and investment earnings were \$1,172,992, which represented an investment return of 2.4% versus 1.7% for the benchmark. For the calendar year, the return for international equities was 21.1% versus the index of 14.0% and for domestic equities was 9.0% versus 6.1% for the index.</p>		

	<p>Mr. Swanson reviewed the Plan's asset allocation and style of each manager in detail. He then reviewed prior recommendations that the Board increase the internal equity allocation from 10% to 15%, the addition of a direct real estate asset class, and consideration of the replacement of ICC Capital Management. Mr. Swanson noted that the Board had previously decided to engage the services of JP Morgan as an investment manager for direct real estate and had entered the cue for entry into the core commingled fund. He advised that the manager would now accept funds from the Plan and he recommended the funding of a \$5 Million mandate entirely from the fixed income portfolio, as the real estate asset class was an alternative to bonds. Mr. Swanson reviewed the long-term performance of JP Morgan noting that the investment return for the prior one-year trailing period was 25%.</p> <p>Mr Swanson advised that the allocations to the two large cap mandates were out of parity and recommended the transfer of \$2 Million from Bernstein to the Growth Fund of America.</p> <p>Mr. Swanson continued his report with a review of the performance of the individual investment managers for the quarter ending December 31, 2005. He explained that the performance of Alliance Bernstein was satisfactory with less risk than the index. The Growth Fund of America investment return of 15.2% dramatically outperformed the index of 5.3% for the trailing one-year period. The international mutual fund performance average of 21.1% was well above the benchmark of 14.0 for the trailing one-year period. He reported that the ICC Capital Management fixed income portfolio had experienced underperformance for many years, which was attributable to a prematurely implemented conservative strategy in the anticipation of rising interest rates. He suggested that the Plan might be better served with a fixed income manager with a more global approach. Mr. Swanson was questioned regarding the reason a recommendation for the replacement of the investment manager had not been made prior and he responded that it was appropriate to afford the manager adequate time to reap the benefits of the conservative strategy as interest rates had been expected to increase. He was questioned whether it was appropriate to replace ICC Capital Management immediately</p>	<p>Tom Fagan made a motion to transfer \$5 Million from ICC Capital Management to JP Morgan, seconded by Blanche Sherman, approved by the Trustees 6-0.</p> <p>Tom Fagan made a motion to transfer \$2 Million from Bernstein to the Growth Fund of America, seconded by Bert Francis, approved by the Trustees 6-0.</p>	<p>PRC</p> <p>PRC</p>
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	<p>and he recommended that the manager be afforded another quarter to evaluate performance and he would address the matter at the next quarterly meeting.</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>		Jeff Swanson
3.c.	<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>A discussion arose regarding increasing the international allocation and Mr. Swanson recommended increasing the allocation \$2 Million either with the existing EuroPacifac fund or an additional fund. It was noted that the past performance of the EuroPacifac fund was exemplary. He noted that the previous motion must be revised and that the funds should reallocated from Bernstein and also then \$1 Million should be reallocated from Bernstein to the Growth Fund of America to maintain parity between the large cap mandates.</p>	<p>Tom Fagan made a motion to transfer \$1 Million from Bernstein to the Growth Fund of America and \$2 Million from Bernstein to EuroPacifac, seconded by Maryann Taylor, approved by the Trustees 6-0.</p> <p>The Board tabled the adoption of the revised Investment Policy Statement until the final selection of Investment Consultant was determined. It was noted that one other finalist, Burgess Chambers and Associates, was scheduled to provide a presentation to the Board but was not present and would be afforded an opportunity to deliver a presentation a future meeting.</p>	<p>PRC</p> <p>Board</p>
*	The meeting adjourned at 12:15 P.M. for lunch and reconvened at 1:10 P.M.		None
7.	<p>Jill Hanson provided the Board with a comparison of defined benefit and defined contribution pension plans.</p> <p>Ms. Hanson reviewed a letter dated February 28, 2006 from Silvia Mendez from the Agency requesting a comparison of the costs between the previous and revised disability provisions. Ms. Hanson advised that a comparison could not be provided since the Plan's Actuary had already advised that there were not</p>		None

	<p>any costs associated with the revised disability provisions.</p> <p>Ms. Mendez advised that the Agency was attempting to ascertain whether there was a cost associated with the revised provisions prior to providing the State with executed letter declaring the adoption of the disability amendment. Ms. Hanson provided the Board with a comparison of the provisions of the previous and revised disability provisions.</p>		
9.a.	<p>Jill Hanson discussed the previously distributed revised Summary Plan Description noting that due to the uncertainty of the status of the disability provisions, she recommended that the applicable language within the document be footnoted and the specific language pertaining to the disability requirement be removed altogether.</p>	<p>Board directed Ms. Hanson to make the necessary revisions prior to the document's distribution.</p>	<p>Jill Hanson PRC</p>
8.a.	<p>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.</p> <p>Mr. Schiess noted that a refund of contributions had been distributed to Participant German Orellano who had entered part-time status but had not terminated. He noted that while documented policy did not exist that either allowed or prohibited the refund of contributions to Participants entering part-time status, he had researched past practice and payment under these circumstances had been issued previously. He requested direction from the Board regarding any future requests under the same circumstances.</p>	<p>Blanche Sherman made a motion to approve the benefits as presented. Tom Fagan seconded the motion, approved by the Trustees 6-0.</p> <p>The Board discussed establishing policy for the refund of pension contributions to members who enter part-time status. Jill Hanson agreed to research and address the matter at the next meeting.</p>	<p>None</p> <p>Jill Hanson</p>
8.b.	<p>Nick Schiess provided the Board with a revised proposal for administrative services. He noted while the fees had increased, the monthly retainer was the same amount as originally proposed in the year 1999. He explained that services to the Board and membership along with record keeping functions had all increased. The Board reviewed the proposal in great detail and Jill Hanson found the language within the Agreement acceptable with the exception of arbitration as the only means of dispute settlement. Mr. Schiess agreed to revise the Agreement</p>	<p>Tom Fagan made a motion to approve the agreement for Administrative services as amended, seconded by Maryann Taylor, approved by the Trustees 6-0.</p> <p>The Board requested that all pass through expenses from the Administrator be pre-approved by the Board.</p>	<p>Jill Hanson PRC</p>

	<p>to Ms. Hanson's satisfaction.</p> <p>Mr. Schiess requested pre-approval for the costs of printing and distributing the Summary Plan Description</p>	<p>Blanche Sherman made a motion to approve the agreement for Administrative services as amended, seconded by Tom Fagan, approved by the Trustees 6-0.</p>	
6.a.	<p>The Trustees reviewed the list of disbursements presented for approval.</p>	<p>Blanche Sherman made a motion to authorize the disbursements through February 27, 2006 as presented, seconded by Maryann Taylor, and approved by the Trustees 6-0.</p>	None
6.b.	<p>The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period December 31, 2005.</p>	<p>The Board received and filed the financial statements for the period ending December 31, 2005.</p>	None
9.f.	<p>The Board was provided a list of upcoming educational conferences. A question arose regarding the requirements for attendance at conferences and Ms. Hanson noted that the State statutes specified that Trustees shall participate in continuing education, however, a specific requirement was not defined.</p> <p>A discussion arose regarding the reimbursement for trustee travel expenses and Ms. Hanson noted that the expense reimbursement rate was tied to LYNX.</p>	<p>Blanche Sherman made a motion to authorize Trustees to attend one conference annually of their choice, seconded by Tom Fagan and approved by the Trustees 6-0.</p> <p>Jill Hanson agreed to provide the Trustees with information on the Trustee Travel Expense Policy at the next meeting.</p>	Jill Hanson
9.b	<p>Nick Schiess provided the Board with an alternative DROP and Share account distribution policies from other pension Plans. He noted that under the current Plan provisions, a distribution from both share and DROP accounts must occur after termination of employment. Mr. Schiess noted that other pension Plans permit members to retain these accounts after termination, which allowed more flexibility and potentially a reduction in taxes and penalties. A lengthy discussion ensued and Ms. Hanson agreed to draft plan language for further consideration and the Board agreed.</p>	<p>Jill Hanson to provide the Board with proposed Plan language at the next meeting.</p>	Jill Hanson
9.e.	<p>Nick Schiess advised the Board that Pooran Harnanan had entered the DROP. He noted that Mr. Harnanan was the very first member to enter the DROP and requested clarification on the timing of the cessation of date pension contributions. Mr. Schiess recommended that payroll deductions should halt the very first pay period in which the Participant entered the DROP.</p>	<p>The Board agreed that administratively pension contributions should cease the very first full payroll period in which a Participant enters the DROP.</p>	None

10.	The Board scheduled quarterly meeting on the date of May 9, 2006.		None
11.	The meeting adjourned at 3:55 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary