

**ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
May 9, 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
Jeff Swanson - Merrill Lynch Consulting Services
Desna Hunte – LYNX (11:01 A.M.)
Burgess Chambers & Sidney Taylor, Burgess Chambers and Associates

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 10:13 A.M.		None
2.	<p>The Board reviewed an Application for Disability Benefits submitted by Participant Rupert Brown. A question arose whether the recently revised or prior disability provisions of the Plan were applicable. A lengthy discussion ensued regarding the status of the revised disability provisions as the Board had adopted the revised provisions, however, LYNX had not submitted the Plan amendment and accompanying correspondence to the State Division of Retirement. Jill Hanson advised that a few options before the Board were to submit the Plan Amendment along with a letter of explanation or direct the Administrator to issue the accompanying letter to the State.</p> <p>The Board decided to proceed with the consideration of Rupert Brown's Application for Disability Benefits based upon the prior disability provisions of the Plan. It was noted that Mr. Brown had applied for but not been awarded Social Security disability benefits and therefore the Board must determine the status of his disability. The Trustees then reviewed the extensive medical records submitted by Mr. Brown in order to ascertain whether Mr. Brown was totally and permanently disabled and unable to</p>		

	<p>perform the duties of his employment. It was noted within the medical records that while several Physicians attested to his disability, there did not appear to be present a unanimous diagnosis of Mr. Brown's illness. The Trustees noted the difficulty in determining whether Mr. Brown was disabled pursuant to the definition of the Plan. An option was proposed to proceed with an independent medical examination on Mr. Brown by a Physician of the Board's choice in order to obtain a neutral opinion. After further discussion, Tom Fagan made a motion to award Mr. Brown a disability pension. Bob Doane seconded the motion, which did not pass 3-2 with Bert Francis, Lisa Darnall, and Blanche Sherman dissenting. It was noted that the LYNX long-term disability insurance provided for an offset from other earnings including the Plan so therefore Mr. Brown would not gain financially from a disability pension. After further discussion, Bert Francis made a motion to award Mr. Brown a disability pension contingent upon being awarded social security disability benefits. Tom Fagan seconded the motion, which did not pass 3-2 with Bob Doane, Blanche Sherman, and Lisa Darnall dissenting. A lengthy discussion continued and Blanche Sherman made a motion to reopen and reconsider the previous motion to award Mr. Brown a disability pension. Tom Fagan seconded the motion, approved by the Trustees 4-1 with Bert Francis dissenting.</p> <p>Desna Hunte entered the meeting.</p> <p>It was then reported that Mr. Brown was scheduled for further diagnostic testing at the Mayo Clinic, which could reveal additional information regarding the diagnosis and status of his illness. Blanche Sherman made a motion to award Mr. Brown a disability pension contingent upon either being awarded social security disability or certification of disability from a Physician at the Mayo Clinic. Tom Fagan seconded the motion, approved by the Trustees 4-1 with Bert Francis dissenting.</p>	<p>Rupert Brown was awarded a disability pension contingent upon either being awarded social security disability or certification of disability from a Physician at the Mayo Clinic.</p>	<p>PRC</p>
4.	The Trustees reviewed the minutes of the meeting held March	Bert Francis made a motion to approve the	None

	10, 2006.	minutes of the meeting held March 10, 2006, seconded by Blanche Sherman, approved by the Trustees 5-0.	
8.d.	The Trustees were provided a draft revised DROP and Share Account Distribution Policy for review and comment for the next meeting.	Next agenda for review	Board
*	The meeting adjourned at 12:01 P.M. for lunch and reconvened at 1:00 P.M.		None
5.	Burgess Chambers and Sidney Taylor appeared before the Board on behalf of Burgess Chambers and Associates to provide a presentation on investment consulting services for the Plan. Mr. Chambers discussed the qualifications of the firm. Mr. Taylor provided the Board with an analysis of the portfolio and investment managers and discussed in detail the firm's strategic plan for management of the portfolio if the firm's services were engaged.	The Board requested that Jeff Swanson of Merrill Lynch Consulting Services review Mr. Chamber's analysis of the portfolio and investment managers.	None
6.	<p>Jeff Swanson appeared before the Board on behalf of Merrill Lynch Consulting Services to provide a report on the investment performance of the portfolio for the quarter ending March 31, 2006. The market value of the portfolio for the quarter ending March 31, 2006 was \$52,470,900 and investment earnings were \$1,878,939, which represented an investment return of 3.8% versus 3.2% for the benchmark. The fiscal year-to-date investment return was 6.3% versus 5.0% for the benchmark.</p> <p>Mr. Swanson was questioned regarding the universe used for comparison of investment returns and he reported that the returns were compared to a universe of actual pension funds that were clients of Merrill Lynch Consulting Services.</p> <p>Mr. Swanson continued his report with a review of the performance of the individual investment managers for the quarter ending March 31, 2006. He explained that the</p>		

10.a.	<p>performance of Alliance Bernstein was satisfactory with less risk than the index. The Growth Fund of America investment return of 9.7% dramatically outperformed the index of 6.2% for the fiscal year-to-date. The EuroPacifac mutual fund performance was exceptional while the Lord Abbott and Touchstone mutual funds achieved satisfactory performance.</p> <p>Mr. Swanson reviewed the Plan's asset allocation and style of each manager in detail. He noted a large cash position at the close of the quarter ending March 31, 2006, which was utilized to fund the real estate mandate the on April 3, 2006.</p> <p>Mr. Swanson reviewed prior recommendations to the Board noting that the only outstanding matter was a thorough review of the fixed income manager and consideration of a possible replacement. He suggested that the Plan might be better served with a fixed income manager with a global approach.</p> <p>Mr. Swanson reminded the Trustees that a revised Investment Policy Statement had been submitted to the Board for consideration at the last meeting and he then reviewed again the proposed changes therein. Mr. Swanson was questioned whether the prior Investment Policy guidelines affected investment performance and he responded that prior guidelines permitted less flexibility in international equities and fixed income and the performance would have been modestly better had the revised guidelines been in effect.</p> <p>Mr. Swanson was questioned whether the Lord Abbott mutual fund was available in lower expense class shares. He responded that lower class shares of the mutual fund were not available at the date of initial purchase, however, he would review all the Plan's mutual funds to determine whether lower class expense shares were available and report back to the Board at the next meeting.</p>	<p>Jeff Swanson to review fixed income manager at the next meeting.</p> <p>Blanche Sherman made a motion to adopt the revised Investment Policy Statement, seconded by Tom Fagan, approved by the Trustees 5-0.</p> <p>Jeff Swanson to review all the Plan's mutual funds to determine whether lower class expense shares were available and report back to the Board at the next meeting.</p>	<p>Jeff Swanson</p> <p>Jeff Swanson</p>
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	<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 readdressed the consulting fee proposal presented to the Board at last meeting. He explained that the fee was an all-inclusive retainer of 5 basis points on assets, which did not provide an incentive to recommend additional services such as investment manager searches. He noted that the proposed fee would be the most economical alternative long-term especially given that under the current fee structure the fees would increase with the additional monitoring requirements for any additional new investment manager including the new real estate mandate with J.P. Morgan.</p>	<p>Blanche Sherman made a motion to accept the proposed revised fee structure 5 basis points on asset, seconded by Tom Fagan, approved by the Trustees 5-0.</p>	
6.b.	<p>The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period March 31, 2006.</p> <p>A discussion arose regarding the pre-approval of invoices for the business expenses of the Plan. It was noted that the invoices were provided via facsimile to Bob Doane for review and approval prior to the issuance of payment and a summary list of all invoices were presented to the Board on a quarterly basis for review.</p>	<p>The Board received and filed the financial statements for the period ending March 31, 2006.</p> <p>The Board determined that invoices for the business expenses of the Plan were to be pre-approved by Blanche Sherman instead of Bob Doane prospectively.</p>	Blanche Sherman
6.a.	The Trustees reviewed the list of disbursements presented for approval.	Blanche Sherman made a motion to approve the disbursements as presented, seconded by Tom Fagan, and approved by the Trustees 5-0.	None
8.	Jill Hanson reminded the Trustees to file a Statement of Financial Interests Form 1 with the Supervisor of Elections in their county of residence by the deadline of July 1, 2006.		None
8.a.	Jill Hanson provided the Board with an update on the amendment to the Plan revising the disability provisions. She provided the Board a copy of correspondence to LYNX dated		

	<p>April 27, 2006 wherein it was requested that the approval of signature of the correspondence to the State Actuary was requested at the next LYNX Board meeting. Ms. Hanson reported that the matter was scheduled on the agenda for the LYNX Board meeting in May 2006. Ms. Hanson then reviewed a memorandum received from LYNX counsel Nadine Schaal stating that any changes in benefits must be negotiated between LYNX and the Union. A question arose whether the Amendment to the disability provisions was actually a change in benefits. Ms. Hanson advised that the revised provision were not considered a change in benefits because the Actuary had not anticipated any costs associated with the revised provisions.</p> <p>Desna Hunte advised that the LYNX Board was unsure of any additional financial obligation as a result of the revised disability provisions and while there was no anticipated cost by the Actuary, the revised provisions might result in additional utilization and therefore present an indirect cost by increasing the experience of the Plan. It was also noted that the process of the Board solely being able to adopt Plan amendments with out approval of the Agency was also a consideration.</p>		
8.b.	Jill Hanson provided the Board with a memorandum dated May 9, 2006 on the Board's Travel Expense Policy and recommended that the Board adopt it's own Travel Expense Policy instead of following LYNX's Policy. She requested the Board's approval to prepare a draft Travel Expense Policy for the Board's consideration.	Blanch Sherman made a motion to Jill Hanson to prepare a draft Travel Expense Policy for the Board's consideration, seconded by Tom Fagan, approved by the Trustees 5-0.	Jill Hanson
3.a.	Jill Hanson announced that she would prepare a memorandum concerning the issuance of refunds of pension contributions to Members who change from full-time to part time status and for the Board's consideration at the next meeting.	Jill Hanson to prepare memorandum concerning refund of contributions to part-time employees for consideration at the next meeting.	Jill Hanson
6.a.	The Trustees reviewed the list of disbursements presented for approval.	Blanche Sherman made a motion to authorize the disbursements as presented, seconded by Maryann Taylor, and approved by the Trustees 6-0.	None
9.c	Nick Schiess reported that fiduciary liability insurance from the		

	Travelers Insurance Company renewed on the date of May 10, 2006, however, a renewal quote had not been received from the insurance agent. He advised that very few insurers offered this type of coverage and Travelers was considered the preferable carrier, which coincidentally offered competitive rates. He reported that the premiums had historically increased approximately 10% annually. Mr. Schiess requested the Board's pre-approval to renew the coverage with the Travelers Insurance Company provided that the increase in the renewal quote did not exceed 15%.	Tom Fagan made a motion to renew the fiduciary liability insurance contingent upon the renewal quote not exceeding a 15% increase in premium. Bert Francis seconded the motion, approved by the Trustees 5-0.	PRC
9.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.	Blanche Sherman made a motion to approve the benefits as presented. Lisa Darnall seconded the motion, approved by the Trustees 4-0 with Tom Fagan abstaining for the reason of a conflict of interest as his retirement benefits appeared on the list of benefit approvals.	None
*	Tom Fagan questioned since he was retired and no longer received compensation from LYNX for the time served at meetings or educational conferences whether he was entitled to compensation directly from the Plan. Ms. Hanson advised that payment to Mr. Fagan was permissible pursuant to the Plan document.	The Board determined that Tom Fagan was eligible for payment from the Plan for service at meetings or educational conferences at his normal hourly rate before retirement under the condition that the request for payment be reviewed by Blanche Sherman prior to issuance of payment.	
*	The Board discussed the proposals for investment consulting services presented by Burgess Chambers and Associates at this meeting and by Merrill Lynch Consulting Services presented at the last meeting.	The Board requested that Merrill Lynch Consulting Services review the analysis of the portfolio and investment managers presented to the Board by Burgess Chambers and report back to the Board at the next meeting.	Jeff Swanson
10.	The Board scheduled quarterly meeting on the date of August 8, 2006.		None
11.	The meeting adjourned at 4:25 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary