

**ATU LOCAL 1596 PENSION FUND  
MINUTES OF MEETING HELD  
August 8, 2006**

**Board Members Present:**

Robert Doane - Chairman  
Tom Fagan – Union Appointee  
Blanche Sherman - LYNX Appointee  
Lisa Darnall - LYNX Appointee  
Maryann Taylor- Union Appointee

**Others Present**

Nick Schiess - Plan Administrator  
Jill Hanson - Plan Attorney  
Joyce Baldi – LYNX  
Jeff Swanson - Merrill Lynch Consulting Services  
Desna Hunte – LYNX  
Rupert Brown  
Paul Wilson  
Leta Chaney & Richard Spurgeon, Salem Trust Company

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Follow-up</b>
1.	Meeting called to order at 10:07 A.M.		None
3.	<p>Participant Rupert Brown appeared before the Board regarding his Application for Disability Benefits previously considered by the Trustees at the last meeting wherein the Board awarded him a disability pension contingent upon either him being awarded social security disability benefits or certification of disability from a physician at the Mayo Clinic. Mr. Brown confirmed that he had applied for but still had not been awarded social security disability benefits. He advised that the report of his pending evaluation by the Mayo Clinic was erroneous and although it was initially under consideration, he had never committed to schedule an evaluation with the clinic or would have an appointment with the Clinic.</p> <p>Mr. Brown provided the Board with additional records of medical evaluations performed since the last Board meeting noting that all his physicians have attested that he is totally and permanently disabled and although there is some discrepancy on the exact diagnosis of his many conditions there was agreement between the many physicians of his primary</p>		None

	<p>condition. It was noted that by definition he was unable to perform the duties of any position within the Agency and also that there were not any positions available for Mr. Brown.</p> <p>The Trustees reviewed the medical records and discussed in great detail Mr. Brown's medical conditions, physicians' evaluations, and other factors regarding the Disability Application for Mr. Brown. It was noted that Mr. Brown had been determined to be disabled by the LYNX long-term disability insurer, which provided supporting evidence of his disability by a competent entity. The Trustees noted that significant evidence existed within the medical record indicating that Mr. Brown was totally disabled and incapable of performing any form of meaningful employment.</p> <p>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. It was confirmed that the previous disability provisions were applicable.</p>	<p>Tom Fagan made a motion to award Mr. Brown a disability pension. Blanche Sherman seconded the motion, approved by the Trustees 5-0.</p>	
2.	The Trustees reviewed the minutes of the meeting held May 9, 2006.	Tom Fagan made a motion to approve the minutes of the meeting held May 9, 2006, seconded by Blanche Sherman, approved by the Trustees 5-0.	None
6.a.	The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period June 30, 2006.	The Board received and filed the financial statements for the period ending June 30, 2006.	None
6.b.	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
3.	Jill Hanson reminded the Trustees that the deadline to file a Statement of Financial Interests Form 1 with the Supervisor of Elections in their county of residence was July 1, 2006 and the penalties for non-compliance were significant. She noted that		Blanche Sherman

	<p>the Attorney usually maintains a file with copies of the Statements for all the Trustees, however, had been refused copies of the Agency appointees' statements by an administrative assistant. She reminded the Trustees that the Statements are a matter of public records and advised that maintaining the file was only done in the best interests of the Trustees. Blanche Sherman advised that a misunderstanding existed and she will provide the documents to the Attorney.</p>		
*	<p>The meeting adjourned at 12:01 P.M. for lunch and reconvened at 12:42 P.M.</p>		None
4.	<p>Leta Chaney and Richard Spurgeon appeared before the Board on behalf of the Custodian, the Salem Trust Company. Ms. Chaney introduced herself as the primary service contact and Mr. Spurgeon as the Chief Operating Officer of the firm. Mr. Spurgeon provided the Board with a presentation on the new securities lending program offered by the Custodian. He explained that securities, especially bonds, within the portfolio could be safely and temporarily lent to major market institutions for a net profit of approximately \$5,000 annually. He was requested to explain the risk associated with lending the securities and he explained that the transactions were fully collateralized, however, a minimal risk existed for interest rate risk. The Board requested comment from the Investment Consultant and Jeff Swanson advised that securities lending programs were widely utilized by larger pension plans and he recommended the program as a source of additional revenue.</p>		Board
5.	<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 June 30, 2006. The market value of the portfolio for the quarter ending June 30, 2006 was \$52,815,390 and investment earnings were \$-340,020, which represented an investment return of -.06% versus -1.0 for the benchmark with the losses attributable to losses within the domestic equity market as a whole and also poor performance for bonds. The fiscal year-to-date investment return was 5.6 % versus 3.9% for the benchmark. Mr. Swanson</p>		

	<p>continued his report with a review of the performance of the individual investment managers for the quarter ending June 30, 2006. Mr. Swanson discussed the long-term underperformance of the bond manager ICC Capital Management and recommended that an alternative manager be considered as a replacement. He explained that most fixed income managers had established minimum balances that were much higher than the Plan's fixed income allocation therefore a mutual fund vehicle was possibly the only alternative. He then discussed the performance of Alliance Bernstein noting that while the performance was satisfactory with less risk than the index, many other managers had attained superior performance. Mr. Swanson provided the Board with a large cap manager comparison containing the performance, risk reward and other statistics of the current manager and three alternative mutual funds. A lengthy discussion arose regarding the advantages and disadvantages of mutual fund vehicles verses separate account managers and it was noted that in the event that the Alliance Bernstein large cap value and ICC Capital Management fixed income portfolios were replaced by mutual funds then 100 percent of the Plan's total portfolio would be invested in mutual funds. After further discussion, Jeff Swanson was directed to refine the investment manager searches for fixed income and large cap value to separately managed accounts and the Board decided to schedule a special meeting for a review of the search.</p> <p>Mr. Swanson concluded his performance 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, having been provided an analysis on the portfolio performed by Burgess Chambers and Associates at the last meeting, provided the Trustees with a report on the analysis pursuant to a request by the Board.</p> <p>Mr. Swanson provided the Board with a report containing an analysis of the fees on the share classes of the Plan's various</p>		
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	<p>mutual funds compared to lower fee share classes available if the funds were custodied with Salem Trust Company instead of Merrill Lynch Consulting Services. He advised that while the Plan would no longer be entitled for rebates on 12B1 fees and would also now be subject to custodial fees charged by the Custodian, the net savings attained by transferring the funds to lower expense share classes would merit the transfer. He explained while the net savings were not significant, the disparity would increase as the value of the funds increased and therefore he recommended the transfer of the mutual fund to the Salem Trust Company. It was noted that there were not any costs associated with the transfer.</p>	<p>Tom Fagan made a motion to transfer the custody of the Plan's mutual funds from Merrill Lynch Consulting Services to the Salem Trust Company and authorize the Salem Trust Company to transfer the funds into the lowest share class available, seconded by Blanche Sherman, approved by the Trustees 5-0.</p>	<p>PRC</p> <p>Salem Trust Company</p> <p>Merrill Lynch Consulting Services</p>
7.c	<p>As a follow up to the last meeting, Jill Hanson provided the Board with a memorandum regarding the issuance of refunds of pension contributions to Members who changed from full-time to part-time status. She explained that that the matter was not specifically addressed in the Plan document and the Internal Revenue Service was currently indifferent, and then she ultimately recommended against issuing refunds of pension contributions to Members who changed from full-time to part-time status because they were still employed by the Agency. A lengthy discussion by the Trustees ensued.</p>	<p>Tom Fagan made a motion to adopt policy that specifically prohibits the issuance of refunds of pension contributions to Members whose employment status changes from full-time to part-time, seconded by Lisa Darnall, approved by the Trustees 5-0.</p>	<p>None</p>
7.a	<p>Jill Hanson provided the Board with an update on the Amendment to the Plan revising the disability provisions. She discussed the lengthy history of the Amendment noting that the Amendment itself had not been executed and submitted to the State. It was noted that the Agency had refused to execute the Amendment and it was noted that the Agency's position that the matter was subject to collective bargaining.</p> <p>A discussion arose regarding the Board's authority to adopt benefits and it was noted that both the employees and management were represented equally on the Board. Ms. Hanson advised that action must be taken on the Amendment as the Board had adopted the benefit but the new provisions in the Amendment had not been enforced, which might create liability for the Board. She explained that the Board's options were to submit the Amendment to the State without execution by</p>		

	the Agency along with an explanation of the reason it was not executed by the Agency, submit the Amendment to the State executed by the Plan Administrator, or return to the federal court judge that presided over the original action that established the Trust to request his interpretation of whether the Board was empowered to adopt benefits. Desna Hunte noted that the matter would be addressed along with other items during upcoming contract negotiations.	Tom Fagan made a motion submit the Amendment to the State without execution by the Agency along with an explanation of the reason that the Amendment is not executed, seconded by Maryann Taylor, approved by the Trustees 4-1 with Lisa Darnall dissenting.	Jill Hanson
7.b.	As a follow up to the last meeting, Jill Hanson provided a proposed Travel Expense Policy for the Board's consideration and adoption.  A discussion arose whether to permit persons designated as incoming Trustees to attend educational conferences in lieu of the incumbent Trustee that will not serve another term although their term of office had not officially commenced.	Blanche Sherman made a motion to adopt the Travel Expense Policy, seconded by Tom Fagan, approved by the Trustees 5-0.  Tom Fagan made a motion to permit incoming Trustees to attend educational conferences, seconded by Blanche Sherman, approved by the Trustees 5-0.	None
7.	Jill Hanson discussed recent publicity regarding the Plan's securities monitoring firm Milberg Weiss involving allegations of fee sharing with plaintiffs and recommended the termination of the firm.	Blanche Sherman made a motion to terminate the services of Milberg Weiss, seconded by Lisa Darnall, approved by the Trustees 5-0.	None
9.a	The Trustees were provided a proposed DROP and Share Account Distribution Policy for consideration and adoption.	Maryann Taylor made a motion to adopt the proposed DROP and Share Account Distribution Policy, seconded by Tom Fagan, and approved by the Trustees 5-0.	None
8.c	Nick Schiess provided the Board with draft correspondence and enrollment forms for the annual mailing for the enhanced benefit and share account noting that the new procedure required that the cost of the mailing itself be pre-approved by the Board.	Blanche Sherman made a motion to approve the costs of the annual mailing for the enrollment of enhanced benefit and share account, seconded by Tom Fagan, and approved by the Trustees 5-0.	PRC
8.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 5-0.	None

10.	The Board scheduled the next quarterly meeting on the date of November 7, 2006.		None
11.	The meeting adjourned at 4:25 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary