ATU LOCAL 1696 PENSION FUND
MINUTES OF MEETING HELD
November 21, 2006

Board Members Present:
Robert Doane - Chairman
Tom Fagan – Union Appointee
Blanche Sherman - LYNX Appointee
Lisa Darnall - LYNX Appointee
Maryann Taylor - Union Appointee
Bert Francis - LYNX Appointee

Others Present
Nick Schiess & Scott Baur- Plan Administrator
Jill Hanson - Plan Attorney
Joyce Baldi – LYNX
Jeff Swanson - Merrill Lynch Consulting Services
Desna Hunte – LYNX
Theora Braccialarghe – Actuary
Peter Alfele – Auditor
Frank Luna – Participant, Incoming Trustee

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 10:07 A.M.		None
2.	The Trustees reviewed the minutes of the meeting held August 8, 2006	Tom Fagan made a motion to approve the minutes of the meeting held August 8, 2006, seconded by Blanche Sherman, approved by the Trustees 6-0.	None
4.	Peter Alfele appeared before the Board on the behalf of Cherry, Bekaert, & Holland LLP to present the Plan's financial statements for the fiscal year ending September 30, 2005. Mr. Alfele provided the Board with a Management Discussion and Analysis, which was a detailed analysis of financial activity. Mr. Alfele was questioned regarding the definition of the term management used within the document and he responded that management was considered the Board and service providers collectively. He reported that the net investment return was over 12%, which exceeded the actuarial assumption rate of 7.5%. He reported that deductions had increased over the prior year, which was primarily attributable to a natural increase in the amount of benefit payments. Mr. Alfele reported that the administrative expense of the Plan remained consistent.		

	Mr. Alfele reviewed the financial statements for the Plan in great detail and discussed the Plan's assets, liabilities, funding, and expenses for the fiscal year ending September 30, 2005. Net Plan assets were $47,898,612, which increased by $7,966,877, which was primarily attributable to investment income. Benefit payments increased from $784,131 to $1,033,448. The Board noted a typographical error, which Mr. Alfele agreed to correct. A discussion arose regarding the authority to change the contribution rates and Mr. Alfele responded that the legal authority to change the rate rests within the Collective Bargaining Agreement. Mr. Alfele provided and reviewed the GASB 40 Disclosure noting that it had been amended to include the new requirement of reporting the rating, interest rate risk, custodial credit risk, credit risk, and concentration of credit rate risk of the Plan's investments. The Board questioned the reporting of the average rate of BBB for the fixed income portfolio noting that while that average was still investment grade, it was low. Mr. Alfele agreed to discuss the rating with the Investment Consultant. He reviewed the funding progress of the Plan and Theora Braccialarghe noted that the funded ratio had improved for the fiscal year. Mr. Alfele advised that the firm had issued an opinion that the financial statements are presented fairly in all material respects in accordance with Government Auditing Standards. He noted that no material weaknesses in the financial statements had been discovered. Mr. Alfele reported also that no deficiencies were identified with internal controls and procedures and there were not any suggestions for improvements. Mr. Alfele was questioned regarding the procedure in the event that a non-material deficiency was discovered and he responded that any deficiency identified that was not reportable was communicated directly with the Administrator. Mr. Alfele was questioned regarding whether any difficulties were encountered with the audit and he responded that the only difficulty occurred with the reporting from the Custodian who had undergone a transition.	Bert Francis made a motion to accept the audit as corrected. Blanche Sherman seconded the motion, approved by the Trustees 6-0.	Peter Alfele

	Mr. Alfele presented a Representation Letter for the current audit and an Audit Engagement Letter for the forthcoming audit for execution. He advised that a modest increase in fees were proposed for the prospective audit noting that the complexity of conducting the audit had increased and the previous fees were below average. The Board discussed the proposed fees and noted that they were very reasonable.	Tom Fagan made a motion to execute the Audit Engagement Letter contingent upon Ms. Sherman's review of the Board's Agreement with Cherry, Bekaert, & Holland LLP. Blanche Sherman seconded the motion, approved by the Trustees 6-0.	Blanche Sherman
9.b.	The Board reviewed active Participant Elijah Fails' request to withdraw from participation in the enhanced benefit option, which he previously requested to participate effective October 1, 2006. Nick Schiess reported that Mr. Fails alleged that he received inaccurate information regarding the details of the agency's participation in the benefit. It was noted that the enrollment form specifically stated that the election to participate was irrevocable, which was due to the complexities of record keeping several tiers of benefit levels. The Board noted that Mr. Fails incompletely executed the Form, which might be a basis for honoring his request.	Maryann Taylor made a motion to permit Mr. Fails to withdraw from participation in the enhanced benefit because the Enrollment Form was incompletely executed. After a lengthy discussion, the motion failed for a lack of a second. Bert Francis made a motion to deny Mr. Fails' request, seconded by Tom Fagan. Further consideration was postponed until after lunch in order that Mr. Fails could be summoned to appear before the Board.	None
*	The meeting adjourned at 12:20 P.M. for lunch and reconvened at 1:15 P.M.		None
9.b.	Elijah Fails appeared before the Board to personally request withdrawal from the enhanced benefit option. The Board carefully explained the benefits of participation in the option, however, Mr. Fails still remained insistent upon withdrawal from participation. A lengthy discussion ensued regarding Mr. Fails request and also whether permitting his withdrawal would set a precedent.	Bert Francis and Tom Fagan withdrew their previous motion to deny Mr. Fails request. Maryann Taylor made a motion to permit Mr. Fails' withdrawal from participation in the enhanced benefit option based upon his particular circumstances, which was clearly not to be considered a precedent. Tom Fagan seconded the motion, approved by the Trustees 6-0. The Board decided that the enrollment form must be amended to indicate that the enhanced benefit was not a matching situation by LYNX.	PRC Jill Hanson
5.	Theora Braccialarghe appeared before the Board on behalf of Gabriel, Roeder, Smith, & Company to present the Actuarial Valuation for the fiscal year ending September 30, 2005. Ms.		

	Braccialarghe reported that for the 2006 fiscal year, the funding requirements for the Agency was 10.96% and for the Participants was 5.90 %, 8.40%, and 10.90% for the standard, enhanced, and second tier enhanced benefits respectively, which represents a 0.01% decrease in funding requirements for both the Agency and Participants. She then reviewed the experience of the Plan that determined the funding requirements in great detail. Ms. Braccialarghe discussed the asset smoothing method, which averages market earnings and losses over a period of five years noting that of the investment losses that occurred in the years 2000 and 2001, the losses incurred in 2000 had already dropped out of the average and the losses incurred in the year 2001 would drop off the following year, which should positively impact the funding requirement for future years. The investment return for 2005 was 12.3%. Ms. Braccialarghe discussed the history of the Funding Standard Account noting the credit balance of $926,468 would likely increase once the contributions for the 2006 fiscal year were included. Blanche Sherman reminded the Board that the Funding Standard Account was considered a reserve account that acted as a buffer to stabilize funding in the event that investment losses occurred in the future. Ms. Braccialarghe reminded the Trustees that after the review of a recent experience study, the Board had adopted all the recommended changes in actuarial assumptions with the exception of the final step of revising the mortality table to the GAM the 1994 Group Mortality Table, which would increase the employer funding requirements from 10.96% to 11.28%.	Blanche Sherman made a motion to adopt the Actuarial Valuation and implement the revised contribution rates effective the first payroll period in January 2007 and deferring consideration of the mortality table until the next meeting. Tom Fagan seconded the motion, approved by the Trustees 6-0.	Board
6.	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 September 30, 2006. The market value of the portfolio for the quarter ending September 30, 2006 was $55,608,390 and investment earnings were $2,004,085, which represented an investment return of 3.8% versus 3.9% for the benchmark with slight underperformance attributable to the domestic equity allocation.		

	The fiscal year investment return was 9.6% versus 8.0% for the benchmark. Mr. Swanson continued his report with a review of the performance of the individual investment managers for the fiscal year September 30, 2006. The investment return for the Growth Fund of America large cap growth equity fund was 9.5%. The Alliance Bernstein large cap domestic value manager's return was 13.0% versus the index of 14.6%, however, the manger's style is core value thus the returns were expected to be between the growth and value index. The EuroPacifac international mutual fund return was 20.1% versus 19.7%. The Lord Abbett mid cap value fund's underperformance of 4.8% versus 12.3% was offset by the Touchstone Emerging Growth fund's performance of 11.2% versus the index of 5.9%. The JP Morgan real estate fund's return was 3.7% versus the index of 3.5%. Mr. Swanson was questioned whether the real estate fund would be affected by the recent downturn in valuations within the domestic real estate market and he responded that the fund would likely remain unaffected because the fund's return was comprised primarily of rental income not capital appreciation. The ICC Capital Management portfolio's return was 3.2% versus the index of 3.7%. Mr. Swanson was questioned regarding the reason that the bond manager has not achieved a return at least equal to Treasury Bills and he responded that the portfolio was well diversified and the Treasury Bills have achieved an unusually high return recently. Mr. Swanson reviewed the performance of the ICC Capital Management in great detail noting that while the performance was slightly under the benchmark, the return was achieved with considerably less risk than the index. He reminded the Board that he had previously recommended that an alternative manager be considered as a replacement and had subsequently presented mutual fund alternatives to the Board, however, the Board was uncomfortable with replacing a separate account manager with a mutual fund given that many of the Plan's assets were already in mutual fund vehicles. He added that alternative separate account managers had minimums that exceeded the Plan's allocation.		

	Mr. Swanson concluded 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. The Board brought to Mr. Swanson's attention that the average quality of the corporate debt had been reported as BBB within the audit presented earlier the same meeting. Mr. Swanson advised that the Investment Policy specifies that the average quality must be A rated or better with up to 15% below a BBB rating and that only 25% of the bonds are corporate debt. He reviewed the bond portfolio noting that the average quality was an AA rating, which was higher than average and therefore presented less risk. The Board noted that an interpretation of the average quality rating within the audit was needed. As a follow up to the last meeting wherein Mr. Swanson was requested to review the securities lending program presented by the Custodian, Mr. Swanson advised that he was supportive of securities lending programs in general as a method to partially offset custodial fees.		
3.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 6-0.	None
3.b	The Board was presented the statement of income and expense, along with the balance sheet for the Plan for the period September 30, 2006.	The Board received and filed the financial statements for the period ending June 30, 2006. The Board requested that the statements be amended to include a budget for expense items.	None
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. Tom Fagen seconded the motion, approved by the Trustees 6-0.	None

8.b	In response to the Board's recent policy that expenses other than conference expenses require pre-approval, Nick Schiess presented a list of expenses that occur on an annual basis and requested pre-approval of those expenses. The Board reviewed the list and requested the list be amended to included projected amounts. Nick Schiess discussed forthcoming actives involving an expenses requested pre-approval for those expenses in the interim.	Blanche Sherman made a motion to pre-approve expenses associated with the annual mailing of 1099 Tax forms, mailing for the notification of Participant workshops and distribution of benefit statements, travel, meal, and lodging expenses associated with annual distribution of benefit statements. Tom Fagan seconded the motion, approved by the Trustees 6-0.	None
8.	As a follow up to the last meeting, Scott Baur provided the Board with additional information on the firm Bank Atlantic, which was under consideration as a replacement provider for the Plan's disbursement account. He advised that the Administrator had performed an extensive request for proposals as it maintained disbursement accounts for many pension plans and the terms offered by Bank Atlantic were most favorable including no fees and the most competitive interest rates. He provided the Board with a comparison of the proposals.	Blanche Sherman made a motion to motion to transfer the Plan's disbursement account to Bank Atlantic. Tom Fagan seconded the motion, approved by the Trustees 6-0.	None
8.c.	Scott Baur reminded the Trustees that the Board had previously authorized a transfer of the custody of the Plan's mutual funds from Merrill Lynch Consulting Services to the Salem Trust Company. He presented an alternative arrangement with Schwab that would lower the net custody fees. The Board requested additional information on other competitive firms and directed the completion the transfer to Salem Trust in the interim.		PRC
8.d.	Nick Schiess provided the Board with a report of the enhanced benefit and share account enrollment effective the 2007 fiscal year.		None
9.a.	Jill Hanson provided the Board with an update on the Amendment to the Plan revising the disability provisions. She reported that the Amendment had been provided to the State along with correspondence explaining that the Board had revised the disability provisions and that the Agency had declined to execute the Amendment. Ms. Hanson reported that a response had not been received back from the State.		None

7.	Jill Hanson reported that pursuant to the Board's direction that the Plan's securities monitoring firm, Milberg Weiss, had been sent notification of termination. She questioned the Board whether to retain the firm's successor Saxena White and recommended the retention of a securities monitoring firm in general as the service was valuable and without cost.	Blanche Sherman made a motion to engage the securities monitoring services of Saxena White. Tom Fagan seconded the motion, approved by the Trustees 5-0 with Bert Francis being temporarily absent.	Jill Hanson
9.c	Bob Doane reported that he and Jill Hanson had a discussion with investment advisor Rudy Aguilera regarding the possibility of conducting Participant educational workshops noting that Mr. Aguilera would not solicit business during the workshops.	Mr. Doane requested that the Trustees invite Mr. Aguilera to the next Board meeting to further discuss the matter and the Board agreed.	PRC
9.e.	The Board discussed the annual holiday dinner and decided to postpone the dinner until next year.		None
11.	Bob Doane expressed the Board's gratitude to Tom Fagan for his service to the Board and Participants.	Blanche Sherman was re-appointed as Trustee by the Agency and Frank Luna was appointed as Trustee by the Union.	None
*	A discussion arose regarding the underperformance of ICC Capital Management.	Bob Doane agreed to request Jeff Swanson to discuss the underperformance of ICC Capital Management at the next meeting.	Bob Doane
10.	The Board scheduled the 2007 quarterly meetings on the dates of February 6, May 8, August 7, & November 5, 2007.		None
12.	The meeting adjourned at 4:20 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary