

**ATU LOCAL 1696 PENSION FUND  
MINUTES OF MEETING HELD  
February 6, 2007**

**Board Members Present:**

Robert Doane - Chairman  
Frank Luna – Union Appointee  
Blanche Sherman - LYNX Appointee  
Lisa Darnall - LYNX Appointee  
Maryann Taylor - Union Appointee  
Bert Francis - LYNX Appointee

**Others Present**

Nick Schiess - Plan Administrator  
Jill Hanson - Plan Attorney  
Joyce Baldi – LYNX  
Larry Cole - Merrill Lynch Consulting Services  
Desna Hunte – LYNX  
Rudy Aguilera, Helios

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Follow-up</b>
1.	Meeting called to order at 10:09 A.M.		None
2.	The Trustees reviewed the minutes of the meeting held November 21, 2006. Frank Luna questioned the accuracy of the minutes given that the Auditor's report had contained a typographical error and a possible discrepancy regarding the credit rating of the fixed income portfolio. It was noted that the minutes merely reflected the history of the meeting wherein the discrepancy was identified and approval of the minutes did not accept the discrepancy or typographical error as presented.	Blanche Sherman made a motion to approve the minutes of the meeting held November 21, 2006. Maryann Taylor seconded the motion, approved by the Trustees 4-1 with Frank Luna dissenting.	None
3.a.	The Trustees reviewed the list of disbursements presented for approval.	Blanche Sherman made a motion to approve the disbursements as presented. Maryann Taylor seconded the motion, and approved by the Trustees 5-0.	None
3.b	The Board was presented the statement of income and expense along with the balance sheet for the Plan for the period December 31, 2006. As a follow up to the last meeting wherein the Board requested that the statements be amended to include a budget for expense items, Nick Schiess provided the Board with draft budget for the current fiscal year and a schedule of expenses for the 2006 fiscal year.	The Board received and filed the financial statements for the period ending December 31, 2006 and requested that the budget include expense items also for the 2005 fiscal year. Nick Schiess agreed to provide the additional information at the next meeting.	None  PRC

4.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. A lengthy discussion arose regarding whether it was acceptable within Federal Tax Law to issue a refund of contributions to Members promoted to management. Jill Hanson advised that the matter had been previously addressed and researched and was acceptable as it was not considered an in-service distribution.	Blanche Sherman made a motion to approve the benefits as presented. Maryann Taylor seconded the motion, approved by the Trustees 5-0.	None
4.b.	In response to the Board's recent policy that expenses other than conference expenses require pre-approval, Nick Schiess presented a revised list of expenses that occur on an annual basis and requested pre-approval of those expenses.	Blanche Sherman made a motion to pre-approve the recurring regular expenses of the Plan as presented by the Administrator. Maryann Taylor seconded the motion, approved by the Trustees 5-0.	None
4.c.	Nick Schiess reported that the transfer of the custody of the mutual funds from Merrill Lynch Consulting Services to the Salem Trust Company was delayed due to difficulties with Lord Abbett granting a lower expense share class, however, the Custodian was diligently taking action to complete the transfer and obtain a lower expense share class. As follow up to the last meeting wherein an alternative custody arrangement was presented to the Board, Mr. Schiess advised that further research had indicated that a less expensive alternative had not been identified than the arrangement with Schwab previously presented, however the research was incomplete.	Nick Schiess agreed to research any additional custody arrangement that might provide a lower expense ratio than offered by Schwab.	PRC
7.	Pursuant to the Board's direction at the last meeting, Jill Hanson presented a revised Enhanced Benefit Election Form for the Trustees' review and approval.	The Board, after determining that the revised Form fully solved the previously identified issues, approved the use of the revised Form.	None
7.	Jill Hanson reported that regarding the Board's approval of Elijah Fails' request to withdraw from the enhanced benefit option, several certified correspondences requesting Mr. Fails to execute a waiver and release had been delivered but not returned completed. She requested the Board's direction and an attempt was made to locate him on the premises to execute the waiver and release.		
7.	Jill Hanson reported that the firm Bear Stearns had notified Bob		

	Doane of the proceeds in the amount over \$18K of a class action lawsuit and action had commenced to obtain the funds through the Custodian.		PRC
7.	As a follow up to the last meeting wherein Jill Hanson was requested to investigate whether Member's contributions were FDIC insured, Ms. Hanson reported that with employee benefit plans the Members' non-contingent interest in the Plan were FDIC insured up to the amount of \$100K.		None
8.a.	<p>Jill Hanson provided the Board with an update on the status of Amendment Six revising the disability provisions of the Plan. She reported that the Amendment had previously been submitted to the State on August 28, 2006 along with correspondence explaining that the Board had revised the disability provisions and that the Agency had declined to execute the Amendment, however, a response had not been received back from the State.</p> <p>Lisa Darnall provided a copy of the recently adopted bargaining agreement and it was noted that it was specified within the agreement that both the Union and the Agency had the right to negotiate benefit improvements through collective bargaining. Ms. Hanson noted that the agreement did not specifically address the status of Amendment Six and therefore it was her opinion that the Agency had waived the right to negotiate with the Union on the Amendment. Ms. Hanson advised that it was imperative to resolve the status of the Amendment. Lisa Darnall was questioned regarding the Agency's position on the Amendment and she responded that the matter had been discussed by the Agency's Board and while concerns were expressed about potential costs there was not any conclusive determinations made. Ms. Hanson requested the Board's direction in the matter and a lengthy discussion ensued.</p>	Maryann Taylor made a motion to direct the Attorney to submit notification to the Agency advising that the Board considered Amendment Six to be acceptable since the Agency waived the right to negotiate the Amendment during recent bargaining and also for the Attorney to follow up on the previous notification sent to the State. Blanche Sherman seconded the motion, approved by the Trustees 5-0.	Jill Hanson
7.	Jill Hanson reported that she would commence negotiation of a suitable agreement with the securities monitoring firm of Saxena White as a follow up to the Board's decision at the last meeting to engage the firm's services.		Jill Hanson
8.d.	Nick Schiess reported that active Member William Talbot's contribution rate had resumed to the standard contribution rate		

	<p>after his enrollment in the enhanced benefit option resulting in a deficiency in the amount of \$1,715.29 in contributions owed to the Plan. Mr. Schiess provided the Board with an analysis of Mr. Talbot's historical contributions since his enrollment in the option effective October 1, 2004 and options for repayment through payroll deductions.</p> <p>A discussion arose regarding conducting audits of employee contribution rates.</p>	<p>Maryann Taylor made a motion to provide Mr. Talbot with repayment options through payroll deductions for deficient contributions to the Plan for his participation in the enhanced benefit option. Blanche Sherman seconded the motion, approved by the Trustees 5-0.</p> <p>The Board directed the Administrator to conduct audits of employee contribution twice annually after scheduled changes in the rates occur.</p>	<p>PRC</p> <p>PRC</p>
*	The meeting adjourned at 12:10 P.M. for lunch and reconvened at 1:10 P.M.		None
6.	<p>Larry Cole 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 December 31, 2006. He reported the departure of Jeff Swanson from the firm and announced that he would become the new representative to the Board. The market value of the portfolio for the quarter ending December 31, 2006 was \$59,586,770 with investment earnings of \$3,232,862, which represented an investment return of 5.8% versus 5.7% for the benchmark.</p> <p>Mr. Cole continued his report with a review of the performance of the individual investment managers for the quarter ending December 31, 2006. The investment return for the Growth Fund of America large cap growth equity fund was 6.5% versus the index of 5.9%. The Alliance Bernstein large cap domestic value manager's return was 7.7% versus the index of 8.0%, however, the manger's style is core value thus the returns were expected to be between the growth and value index. The Lord Abbett mid cap value fund's return was 8.9% versus the index of 8.5%.The EuroPacifac international mutual fund return was 8.7% versus the index of 8.0%. The Touchstone Emerging Growth fund's performance of 6.1% versus the index of 8.8%. Mr. Cole noted discussed the recent underperformance of the international funds advising that the underperformance was not concerning since both funds had achieved satisfactory long-term performance. The JP Morgan real estate fund's return of 4.3% equaled the index. The ICC Capital Management portfolio's</p>		

<p>return was 1.0% versus the index of 1.2%.</p> <p>Mr. Cole reviewed the asset allocation and did not recommend any changes. He then reviewed the risk measurements noting that the total portfolio achieved greater return than the blended index with less risk. Mr. Cole 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.</p> <p>Mr. Cole reviewed the Investment Policy Statement and recommended revising the quality restrictions on fixed income securities and agreed to provide a proposed revised Statement for the Board's consideration at the next meeting.</p> <p>Mr. Cole reviewed the bond rating quality statistics published in the 2006 Audit and advised that there appeared to be a discrepancy between the low published rating and actual rating. He confirmed that the average quality rating of the bond portfolio was AA and the percentage of BBB bonds was below 7%, which was lower than specified in the Investment Policy Statement.</p> <p>Mr. Cole reviewed the long-term performance of the ICC Capital Management fixed income portfolio in great detail noting that the firm's conservative strategy had resulted in below average performance. Mr. Cole distributed to the Board the results of an investment manager search for the Board's consideration and recommended that the selection of finalists for presentations to the Board be determined at the next meeting as the Board was reconsidering proposals for investment management services.</p> <p>Mr. Cole reviewed the trading and fees summary and announced that prospectively all 12b-1 fees would be fully rebated to the Plan and the share of prior 12b-1 fees previously received by the firm would be remitted back to the Plan. He explained that originally when the 12b-1 rebate program was founded the intent was to rebate a portion of commissions that the Plan would have not otherwise received and then it was considered an acceptable practice. He reported that Merrill Lynch Consulting services had recently engaged the services of the firm Price Waterhouse to thoroughly review the business practices of the Consultant who recommended the change regarding sharing the 12b-1 fees. Mr. Cole advised that the</p>	<p>Mr. Cole agreed to discuss with the Auditor his interpretation of the bond ratings and report back to the Board.</p> <p>The consideration of finalists for presentations to the Board from replacement fixed income managers will occur at the next meeting.</p>	<p>Larry Cole</p> <p>Larry Cole</p> <p>Larry Cole Board</p>
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	sharing of the 12b-1 fees was always disclosed and the consideration of the practice as acceptable had changed in the current business environment.		
8.e.	The Board discussed the securities lending program previously presented by the Salem Trust Company. Mr. Cole reported that as requested he had reviewed the proposed securities lending program and advised that the program was within the investment policy guidelines and he was supportive of securities lending programs as a method to partially offset custodial fees.	Blanche Sherman made a motion to engage the securities lending services of the Salem Trust Company contingent upon the successful negotiation of an agreement by the Attorney. Maryann Taylor seconded the motion, approved by the Trustees 5-0.	Jill Hanson
8.f.	After a brief discussion, the Board tabled the reconsideration of proposals for investment consulting services until the next meeting.	The Board tabled the reconsideration of proposals for investment consulting services until the next meeting.	Board
8.c.	Larry Cole addressed the concerns expressed from active Participant Michael James regarding the declining value of the U.S. Dollar and his request to reallocate investments into foreign currency to protect his financial interests in the Plan. Mr. Cole advised that an allocation of the portfolio was indeed already invested into foreign securities and further allocation was not within the investment strategy. He further advised that the exposure to declining currency value risk was limited and the Plan's investments were managed by professional investment managers. It was noted that Mr. James participated in the optional share account, however, there were not any Plan provisions that permitted the ownership of other currencies within the share account and it was impractical regardless.	Larry Cole agreed to correspond with Michael James addressing his concerns of the declining value of the U.S. Dollar as it affects his financial interests in the Plan.	Larry Cole
8.g.	The Board reviewed retiree Paul Helmick's request to change his joint annuitant. Nick Schiess reported that Mr. Helmick had previously requested to change his joint annuitant back in the year 2004 and provided the Trustees with the history of the previous Board's consideration and determination in the matter. It was noted that the provisions of the Plan do not permit the change of joint annuitant after retirement under any circumstances. It was then noted that retirees' life circumstances do change and the Board discussed the merits of revising the Plan provisions to permit the change of joint annuitants after retirement. Nick Schiess noted that during the previous Board's consideration of the matter, the Actuary had expressed concerns over a potential risk of anti-selection and he suggested	<p>The Board tabled consideration of modifying the provisions of the Plan to permit the change of joint annuitants after retirement to the next meeting.</p> <p>Nick Schiess agreed to solicit the Actuary's recommendations and concerns involving the matter.</p> <p>Jill Hanson agreed to notify Mr. Helmick that the provisions of the Plan do not permit the change of joint annuitant after retirement.</p>	<p>Board</p> <p>PRC Actuary</p> <p>Jill Hanson</p>

	that the matter be tabled at the next meeting in order to once again obtain the Actuary's recommendations and concerns involving the matter.		
8. h.	Nick Schiess reminded the Trustees that after the review of a recent experience study, the Board had adopted all the Actuary's recommended changes in actuarial assumptions with the exception of the final step of revising the mortality table to the GAM 1994 Group Mortality Table.	Blanche Sherman made a motion to proceed with the final step of revising the mortality table to the GAM 1994 Group Mortality Table. Maryann Taylor seconded the motion, approved by the Trustees 5-0.	None
5.	Rudy Aguilera appeared before the Board to discuss conducting educational workshops for active Members. He discussed his qualifications and experience noting that his firm was non-profit and he would not solicit financial products or services. Bob Doane requested the Board's authorization for Mr. Aguilera to collaborate with Nick Schiess, Desna Hunte, and Mr. Doane to further develop the content and other details of the proposed educational workshops.	The Board authorized collaboration with Rudy Aguilera to develop the content and other details of the proposed educational workshops for active Members.	PRC Rudy Aguilera Bob Doane
9.	The Board scheduled the next meeting on the date of August 7, 2007.		None
10.	The meeting adjourned at 4:10 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary