

**ATU LOCAL 1696 PENSION FUND
MINUTES OF MEETING HELD
May 8, 2007**

Board Members Present:

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

Others Present

Nick Schiess - Plan Administrator
Jill Hanson - Plan Attorney
Joyce Baldi – LYNX
Larry Cole - Merrill Lynch Consulting Services
Desna Hunte – LYNX
Richard Spurgeon, Salem Trust Company

Agenda Item	Discussion	Decision	Follow-up
1.	Meeting called to order at 10:05 A.M.		None
2.	The Trustees reviewed the minutes of the meeting held February 6, 2007.	Bert Francis made a motion to approve the minutes of the meeting held February 6, 2007. Blanche Sherman seconded the motion, approved by the Trustees 5-0.	None
3.	The Board reviewed the Application for Disability Benefits submitted by Felix Jordan. The Trustees discussed Mr. Jordan's medical condition noting that he had been approved for Social Security disability benefits. A lengthy discussion arose regarding whether previous Plan provisions for disability provisions or those as amended in Amendment Six were applicable. After concluding that the status of Amendment Six was still unresolved, it was decided that the Board should apply the previous Plan provisions and therefore Mr. Jordan automatically qualified for disability benefits under the Plan since he had already been awarded Social Security disability benefits. A discussion arose regarding the effective date of Mr. Jordan's benefits. Nick Schiess advised that the commencement date for disability benefits was not specified within the Plan document and that the past practice was to commence disability benefits on the date of Board approval. After a lengthy discussion, the Trustees concluded since that the Board only scheduled	Frank Luna made a motion to approve the disability pension benefits for Felix Jordan effective retroactive to the first of the month following receipt of his Application. Bert Francis seconded the motion, approved by the Trustees 5-0. Bert Francis made a motion to prepare a Plan Amendment clarifying the commencement date of disability pensions as the first of the month following submission of an application. Blanche Sherman seconded the motion, approved by the Trustees 5-0.	None Jill Hanson

	regularly quarterly meetings that it would be more fair to the Participants if disability benefits commenced the first of the month following submission of an application as was the case also for normal retirement benefits.		
*	Elijah Fails appeared before the Board to execute a waiver and release from participation in the enhanced benefit option as a follow up to the last meeting wherein the Board permitted his withdrawal from participation. Mr. Fails questioned the status of his additional contributions to the Plan and the Board determined that the additional contributions for his temporary participation in the enhanced benefit option should be refunded to Mr. Fails.	The Board directed the Administrator to calculate Mr. Fails' excess contributions attributable to his temporary participation in the enhanced benefit option and issue a refund payable to LYNX and subsequently LYNX would issue a refund directly to Mr. Fails.	PRC Blanche Sherman
4.a.	The Trustees reviewed the list of disbursements presented for approval. A discussion arose regarding obtaining a tax-exempt certificate for the Plan in order for the Trustees to become exempt from local sales taxes when attending educational conferences.	Blanche Sherman made a motion to approve the disbursements as presented. Bert Francis seconded the motion, approved by the Trustees 5-0. The Board requested Jill Hanson to file for a tax-exempt certificate for the Plan.	None Jill Hanson
4.b	Board was presented the statement of income and expense along with the balance sheet for the Plan for the fiscal year through March 31, 2006. Nick Schiess noted that as requested the statements were amended to contain budgets for expense items including a two-year history. The Trustees questioned investment losses for mutual funds and the fixed income manager reported in February 2007. Nick Schiess agreed to research the matter further and report back to the Board between meetings.		PRC
5.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 discussion arose regarding certification of the amounts issued for refunds of pension contributions. Nick Schiess noted that the Board had previously addressed the matter on several	Blanche Sherman made a motion to direct the Administrator to request verification of employee contributions from the payroll department with LYNX prior to the issuance of refunds of contributions. Frank Luna seconded the motion, approved by the Trustees 5-0.	PRC

	occasions and that the Actuary can only certify retirement benefits not refunds of contributions. He advised that only LYNX could verify historical contributions. A lengthy discussion ensued regarding the various methods of verification of the Administrator's records for employee contributions to the Plan.	Blanche Sherman made a motion to approve the benefits as presented. Frank Luna seconded the motion, approved by the Trustees 5-0.	
5.b.	Nick Schiess reported that the transfer of the custody of the mutual funds from Merrill Lynch Consulting Services to the Salem Trust Company was completed. As follow up to a previous 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. The Board requested additional information for the next meeting.		PRC
5c.	Nick Schiess reported that fiduciary liability insurance from the Travelers Insurance Company renewed on the date of May 10, 2007, however, a renewal quote had not been received from the insurance agent because the 2006 Actuarial Valuation and Audit was requested for underwriting purposes but were yet uncompleted. Mr. Schiess presented a quote in the amount of \$5,529.75 for a six-month policy extension.	Blanche Sherman made a motion to approve the extension of the fiduciary liability insurance coverage. Bert Francis seconded the motion, approved by the Trustees 5-0.	PRC
*	The meeting adjourned at 11:30 A.M. for lunch and reconvened at 12:15 P.M.		
8. e.	The Board reconsidered proposals previously received from investment consultants. It was noted that Jeff Swanson had separated employment from Merrill Lynch Consulting Services and was now employed with Southeastern Advisory Services. It was then noted that a request for proposal had been completed recently and a presentation was entertained by the Board from finalists Burgess Chambers and Associates and also Merrill Lynch Consulting Services. A lengthy discussion ensued regarding the negative publicity surrounding the incumbent consultant and then the qualifications of Burgess Chambers and Associates.	Blanche Sherman made a motion to terminate the services of Merrill Lynch Consulting Services and engage the services of Burgess Chambers and Associates. Maryanne Taylor seconded the motion, approved by the Trustees 5-0.	
8.d.	Richard Spurgeon appeared before the Board on behalf of the Salem Trust Company. Nick Schiess reminded the Trustees that		

	<p>the Board had decided at the last meeting to engage the securities lending services of the firm contingent upon the successful negotiation of an agreement by the Attorney. However, during the negotiation of the agreement several concerns over contractual terms and language were expressed by Jill Hanson and therefore Mr. Spurgeon was invited to the meeting to address these concerns. Ms. Hanson questioned Mr. Spurgeon regarding the firm's experience with securities lending. Mr. Spurgeon responded that securities lending was a common and widespread practice for larger pension funds, however, was not available until recently for smaller pension plans. He advised that the firm had only very recently developed the program for participation by smaller pension funds and therefore has only a limited number of clients. He was questioned whether the agreement was a third party arrangement and responded that the arrangement was with three parties including the Plan, Salem Trust Company, and Northern Trust Company. Mr. Spurgeon was questioned regarding the risk of the program and he explained that there existed minimal risk, however, all the transactions were collateralized at 102% of the market value of the securities being lent and the Northern Trust Company had not incurred a single loss in over 25 years of lending securities. He further explained that the borrowers were all global financial institutions and that the Northern Trust Company had very stringent credit rating requirements, which were evaluated annually. He was questioned whether the transactions were conducted domestically only or globally and he responded that the securities were lent to borrowers globally. Mr. Spurgeon was questioned regarding whether Northern Trust Company acknowledged fiduciary responsibility and he responded that only Salem Trust Company acknowledged fiduciary responsibility.</p>	<p>A decision was made to postpone the execution of the Agreement for the securities lending services of the Salem Trust Company until the new investment consultant reviewed the portfolio since only securities managed by individuals investment managers not commingled or mutual funds were eligible for lending.</p>	<p>Board</p>
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 March 31, 2007. The market value of the portfolio for the quarter ending March 31, 2007 was \$61,618,610 with investment earnings of \$1,199,076, which represented an investment return of 2.0% versus 2.1% 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 March 31, 2007. The investment return for the Growth Fund of America large cap growth equity fund was 1.4% versus the index of 1.2%. The Alliance Bernstein large cap domestic value manager's return was 0.4% versus the index of 1.3%, however, the manger's style is core thus the returns were expected to be between the growth and value index. In addition, Mr. Cole explained that a complete market cycle had not occurred therefore it might be premature to replace the manager, however, it would be prudent to request their attendance at the next meeting to discuss their underperformance. 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 was 6.1% versus the index of 8.8%. Mr. Cole 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 3.7% equaled the index. The ICC Capital Management fixed income portfolio's return was 1.5% also equaled the index.</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 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.</p> <p>Mr. Cole provided the Board with a proposed revised Investment Policy Statement containing his previous recommendations for revising the quality restrictions on fixed income securities.</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 discussed the results of an investment manager search and recommended the selection of finalists for presentations to the Board at the next meeting. He also advised</p>	<p>Blanche Sherman made a motion to adopt the revised Investment Policy Statement. Bert Francis seconded the motion, approved by the Trustees 5-0</p> <p>Jill Hanson was requested to correspond with ICC Capital Management to amend the Agreement with a reduction in management fees to 25 basis points.</p>	<p>Jill Hanson</p>
--	---	---	--------------------

	that ICC Capital Management had offered to lower their management fees to 25 basis points.		
8.f.	The Board discussed amending the Plan provisions to permit the change of joint annuitants after retirement. Theora Braccialarghe joined the meeting via teleconference to discuss the potential risk of anti-selection noting that while the risk existed it could be mitigated by permitting the change of joint annuitant due to changes in marital status as it was unlikely that persons would commit to a life change in order to change their joint annuitant. After further discussion, the Board requested that the Administrator and Attorney research the plan provisions of other transit agencies' pension within the State and report back to the Board.		PRC Jill Hanson
8.a.	Jill Hanson provided the Board with an update on the status of Amendment Six revising the disability provisions of the Plan. She reported that, pursuant to the direction of the Board at the last meeting, correspondence was sent 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. Ms. Hanson reported that a response to the correspondence from LYNX had not been received. Desna Hunte agreed to research the status of the response from LYNX regarding disability Amendment Six.		Desna Hunte Jill Hanson
8.c.	Jill Hanson reported that she had contacted the securities monitoring firm of Saxena White to commence negotiation of a suitable agreement, however, was unable to establish contact with her contact, Joe White, at the firm. She advised that she will continue to attempt to establish contact with Mr. White.		Jill Hanson
7.	Jill Hanson reported that notification had been sent to retiree Paul Helmick regarding his request to change his joint annuitant advising him that the provisions of the Plan do not permit the change of joint annuitant after retirement under any circumstances. The notification also included information regarding the filing of an appeal in the event that he was dissatisfied with the denial of his request.		None

7.	As a follow up to the last meeting, Jill Hanson provided the Board with a previously circulated memorandum regarding her prior determination that a refund of contributions issued to an active member promoted to management was not considered an in-service distribution.		None
8.b.	Bob Doane announced that an educational workshop for the active members of the Plan had been scheduled for June 21, 2007 and discussed the format, venue, and other details of the event.		None
6.	<p>Nick Schiess reported that active Member Bobby Thomas had passed away survived only by his contingent beneficiary Brian Wiggins who was a minor. Since Mr. Thomas was partially vested, a Notification of Death Benefits Payable had been produced by the Actuary with options for either a lump sum or monthly annuity commencing immediately or on the date of October 1, 2013 coincident with the age that Mr. Thomas would have been eligible for normal retirement benefits.</p> <p>Mr. Schiess advised that since the beneficiary was a minor he had consulted with the Attorney and it was agreed that it was prudent to bring the matter before the Board. He noted that his aunt, Helen Nelson, had been appointed as his legal guardian. Ms. Hanson advised that a provision of the Plan permits the Board to select payment options for benefits in the event that the recipient is incapacitated and Brian Wiggins could be legally considered incapacitated by his age. A lengthy discussion ensued regarding the various options for payment. Ms. Hanson was questioned whether the funds could be placed in a trust for Brian Wiggins and she advised that the funds could not be placed in a trust.</p>	<p>Maryanne Taylor made a motion to defer distribution of the death benefits of Bobby Thomas to Brian Wiggins until the date of October 1, 2013 with options of either a lump-sum or monthly annuity as calculated by the Actuary. Blanche Sherman seconded the motion, approved by the Trustees 5-0.</p> <p>Jill Hanson agreed to notify legal guardian Helen Nelson of the Board's decision.</p>	<p>PRC</p> <p>Jill Hanson</p>
	Nick Schiess discussed the Board's previously established policy regarding the periodic review of service providers. He explained that the Board had reviewed two providers annually on a three-year rotating basis and the service providers for review this year based upon this schedule were the auditor and custodian. He further explained that historically one union and one employee Trustee would form a committee to conduct the review and report it's findings and recommendations to the Board at a quarterly meeting.	Blanche Sherman and Frank Luna agreed to conduct the review of the Auditor and Bert Francis and Bob Doane agreed to conduct a review of the Custodian. Nick Schiess agreed to provide the Trustees with copies of the Agreements for the Auditor and Custodian.	<p>PRC</p> <p>Blanche Sherman Frank Luna Bert Francis Bob Doane Nick Schiess</p>

	<p>Nick Schiess discussed the Board's previously established policy of periodically reviewing disability pensions in order to verify that the recipients were still disabled and unable to return to employment. He reviewed the details of the Board's policy noting that all disability retirees shall be required to furnish proof of disability no less than every three years. Mr. Schiess recommended amending the policy to conduct the review on all retirees less than sixty-two years of age coincident with the date that they would be eligible regardless of their disability for normal retirement benefits.</p> <p>Mr. Schiess provided the Board with a list of disability retirees noting that only two retirees John Pratt and Julian Galindo met the criteria for periodic disability review this year. He reported that a notification had been mailed to them both along with a request for proof of Social Security disability benefits or a Certification of Continuing Disability Form to be completed by a physician attesting that they were still disabled. Mr. Schiess provided the Board with a completed Certification of Continuing Disability Form for Mr. Galindo noting that Mr. Pratt had not responded to the request. He suggested that the Board for the record certify the continued disability benefits for Mr. Galindo provided that the completed Certification of Continuing Disability Form was satisfactory. Mr. Schiess requested permission to mail Mr. Pratt final correspondence including another request for the required information and notification that benefits will be suspended for non-compliance to the request and the Board agreed.</p>	<p>Blanche Sherman made a motion to amend the disability review policy to conduct the review on all retirees less than sixty-two years of age. Bert Francis seconded the motion, approved by the Trustees 5-0.</p> <p>Blanche Sherman made a motion to certify the continued disability benefits for Julian Galindo. Maryanne Taylor seconded the motion, approved by the Trustees 5-0.</p>	Nick Schiess
9.	The Board scheduled the next meeting on the date of August 7, 2007.		None
10.	The meeting adjourned at 5:00 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary