

**ATU LOCAL 1696 PENSION FUND  
MINUTES OF MEETING HELD  
August 24, 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  
Burgess Chambers & Sidney Taylor – Investment Consultant  
Theora Braccialarghe – Actuary  
Howard Rew & Rowana Filtran – Auditor  
Paul Wilson - Union

<b>Agenda Item</b>	<b>Discussion</b>	<b>Decision</b>	<b>Follow-up</b>
1.	Meeting called to order at 10:05 A.M.		None
2.	The Trustees reviewed the minutes of the meeting held May 8, 2007.	Bert Francis made a motion to approve the minutes of the meeting held May 8, 2007. MaryAnn Taylor seconded the motion, approved by the Trustees 5-0.	None
3.	Burgess Chambers and Sidney Taylor appeared before the Board on behalf of Burgess Chambers & Associates to provide a report on the investment performance of the portfolio for the quarter ending June 30, 2007. Mr. Chambers expressed gratitude to the Board for the recent engagement of his firm and discussed the role of the investment consultant. He advised that his firm was truly independent and did not receive any direct or indirect compensation or revenue sharing of any type from any source other than direct compensation from the Plan itself. He discussed the qualifications and experience of the firm noting that the firm had been in business over nineteen years and that over 80% of the revenues were derived from defined benefit clients. Mr. Chambers was questioned whether the firm was involved in any pending litigation and he responded that the firm had never been involved in any litigation. He discussed in great detail asset allocation and the evaluation of performance and		

	<p>risk measurement. Mr. Chambers was questioned regarding the frequency of the review of the asset allocation and he responded that the allocation was evaluated a minimum of twice yearly.</p> <p>The market value of the portfolio for the quarter ending June 30, 2007 was the amount of \$65,578,775. Investment earnings were the amount of \$3,375,272, which represented an investment return of 5.4%. The best performing investments were international equities with an 8.5% return, mid cap equities with an 8.5% return, and the American Funds large cap growth fund with a 7.8% return.</p> <p>Mr. Chambers reviewed the asset allocation noting that all mandates were within policy. A question arose whether exposure existed to small cap equities and Sidney Taylor responded that small cap exposure existed within the small/mid cap mutual funds. Mr. Chambers distributed a proposed revised Investment Policy Statement for the Trustees' review and recommended further consideration and possible adoption of the Statement at the next meeting. He advised that the Statement included small cap as a separate asset class and also revised the universe as to which performance is evaluated to a much larger universe than before.</p> <p>Mr. Chambers reviewed the performance of the individual managers and mutual funds. He discussed the expense ratios of the various mutual funds and advised that he will research whether alternate lower expense share classes are available for the same or comparable products. He reviewed performance of the bond manager Alliance Bernstein in detail noting that recent changes within the portfolio management team would likely lead to increased relative performance prospectively.</p> <p>Nick Schiess discussed the securities lending program previously proposed by the Custodian and questioned Mr. Chambers regarding any recommendations. Mr. Chambers discussed securities lending programs and recommended against them generally for the reason that the additional return did not warrant the increased risk.</p> <p>A lengthy and careful discussion arose regarding the advantages and disadvantages of commingled funds versus</p>	<p>Blanche Sherman made a motion based upon the recommendation of the investment Consultant to reverse the Board's prior decision to participate in the securities lending program offered by the Salem Trust Company. Frank Luna seconded the motion, approved by the Trustees 5-0.</p>	<p>None</p>
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	separate account managers in the composition of the Plan's portfolio and the possible ramifications if all the Plan's assets were invested in commingled funds.		
4.a.	The Trustees reviewed the list of disbursements presented for approval.	Blanche Sherman made a motion to approve the disbursements as presented. Bert Francis seconded the motion, approved by the Trustees 5-0.	None
4.b	The Board was presented unaudited statements of the balance sheet and income and expense for the fiscal year through June 30, 2007.	The Board received and filed the financial statements.	None
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. He advised that the new policy of verification of previously reported contributions had been conducted pursuant to the policy established at the last meeting, however, records for contributions prior to the year 2000 were not available and could not be verified by the agency.	Blanche Sherman made a motion to approve the retirement benefits and refunds of contributions as presented. Frank Luna seconded the motion, approved by the Trustees 5-0.	None
5.b.	<p>Nick Schiess provided a proposal for the Pension Resource Center to custody the Plan's mutual funds in a third party custody arrangement with Schwab. The proposed custody fee was 3 basis points versus the current 5 basis point fee charged by the Plan's custodian. In addition to the savings on fees, an additional amount of approximately \$22K generated from revenue sharing would be available for recapture back to the Plan. A question arose whether Schwab would agree to be a fiduciary to the Plan and Ms. Schiess advised that the firm had agreed to be a fiduciary. The Board then negotiated a cap on the fees of \$7K annually.</p> <p>A question arose whether Merrill Lynch Consulting Services was receiving 12b-1 fees on the Plan's mutual funds as agent of record after the transfer of custody of mutual funds to the Salem Trust Company and if so whether an effort should be extended to recover the fees. Nick Schiess agreed to research the matter.</p>	<p>Blanche Sherman made a motion to accept the Administrator's proposal to custody the Plan's mutual funds through Schwab for a fee of 3 basis points capped at \$7K annually contingent upon the successful negotiation of an agreement by the Attorney. Bert Francis seconded the motion, approved by the Trustees 5-0.</p> <p>Bert Francis made a motion that in the event it was discovered that Merrill Lynch was collecting 12b-1 fees on the Plan's mutual funds as agent of record after the transfer of custody of mutual funds to the Salem Trust Company that a request be submitted for the reimbursement of the revenue back to the Plan. MaryAnn Taylor seconded the motion, approved by the Trustees 5-0.</p>	<p>PRC Jill Hanson</p> <p>PRC</p>

5.d.	Nick Schiess presented a revised administrative policy for the role of the Administrator in the involvement in conference attendance by Trustees advising that the Administrator can no longer assist in securing hotel accommodations.		
*	The meeting recessed at 12:15 P.M. for lunch and reconvened at 12:55 P.M.		
6.	<p>Theora Braccialarghe appeared before the Board on behalf of Gabriel, Roeder, Smith, &amp; Company to present the Actuarial Valuation for the fiscal year ending September 30, 2006. Ms. Braccialarghe reported that for the 2008 fiscal year, the funding requirements for the Agency was 11.33% and for the Participants was 6.1 %, 8.60%, and 11.1% for the standard, enhanced, and second tier enhanced benefits respectively, which represents a 0.2% increase in funding requirements for Participants and an 0.37% increase for the Agency. She explained that the increase in contribution rates was attributable to the final conversion to the 1994 Group Annuity Mortality Table. Ms. Braccialarghe further explained that the Board's decision to utilize the more current Table was appropriate given that persons are living longer and the move would result in more stable funding requirements for the Plan over time. She discussed the experience of the Plan and reported that while the increase in salaries was higher than expected the resulting increase in cost was offset by a higher than expected actuarial rate of investment return. Ms. Braccialarghe reviewed in great detail the development of the funding requirements of the Plan. She anticipated that the trend increasing contributions had peaked and that the funding requirements would stabilize.</p> <p>Ms. Braccialarghe discussed the asset smoothing method, which averages market earnings and losses over a period of five years noting that the investment losses that occurred in the years 2000 and 2001 had already dropped out of the average resulting in a positively impact the funding requirement for future years. The investment return for 2006 was 9.6% while the actuarial value determined by the asset smoothing method had increased dramatically from 5.4% in 2005 to 8.4% for 2006.</p>	<p>Blanche Sherman made a motion to receive and file the Actuarial Valuation. MaryAnn Taylor seconded the motion, approved by the Trustees 5-0.</p>	None
7.	Howard Rew & Rowana Filtran appeared before the Board on the behalf of Cherry, Bekaert, & Holland LLP to present the		

	<p>Plan's financial statements for the fiscal year ending September 30, 2006. Mr. Rew provided the Board with a Management Discussion and Analysis, which was a detailed analysis of financial activity. He reported that the net investment return was 9.6%, 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. Rew reported that the administrative expenses of the Plan decreased from \$153K to \$124K. He 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, 2006. Net Plan assets were \$55,753,761, which increased by \$7,855,149 and was primarily attributable to investment income. The funded ratio of the Plan had increased to 90.5%. Mr. Rew provided and reviewed the GASB 40 Disclosure noting that it had been amended the previous year 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.</p> <p>Mr. Rew 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. Rew reported also that no deficiencies were identified with internal controls and procedures and there were not any suggestions for improvements.</p> <p>Mr. Rew presented a Representation Letter for the current audit for execution.</p>	<p>After review of the Representation Letter by the Attorney, Blanche Sherman made a motion to execute the Representation Letter Bert Francis seconded the motion, approved by the Trustees 5-0. The audit was received and filed.</p>	None
9.g.	<p>Nick Schiess reported that at the last meeting the Board had conducted a review of disability pensions, however, one remaining disability recipient had not submitted the required documentation and the matter was deferred until this meeting. He reminded the Board that the policy was to request proof of Social Security disability benefits or a Certification of Continuing Disability Form to be completed by a physician attesting that disability retirees were still disabled. Mr. Schiess provided the</p>	<p>Blanche Sherman made a motion to certify the continued disability benefits for John Pratt based upon the physician attesting that Mr. Pratt was still disabled. MaryAnne Taylor seconded the motion, approved by the Trustees 5-0.</p>	None

	<p>Board with a completed Certification of Continuing Disability Form for John Pratt.</p> <p>The Board reviewed the Certification of Continuing Disability Form deeming it to be deficient without the contact information of the physician.</p>	<p>The Board requested that the form be amended to include contact information of the physician completing the Certification of Continuing Disability Form.</p>	Jill Hanson
9.d.	<p>The Board reviewed the proposed Audit Engagement Letter from Cherry, Bekaert, &amp; Holland LLP noting that the fees were reasonable and sufficient time did not exist to request alternate proposals for preparation of the audit for the 2007 fiscal year.</p> <p>The Committee members assigned to the periodic review of service providers auditor advised that additional time was required for research.</p>	<p>Blanche Sherman made to engage Cherry, Bekaert, &amp; Holland LLP for the audit for the 2007 fiscal year. MaryAnne Taylor seconded the motion, approved by the Trustees 5-0.</p>	<p>None</p> <p>Committee Members</p>
8.	<p>Jill Hanson provided for execution an Agreement with current fixed income manager ICC Capital Management to reduce management fees to 25 basis points.</p> <p>Ms. Hanson provided a draft Amendment clarifying the commencement date for disability pensions.</p> <p>Ms. Hanson distributed a Memorandum dated August 24, 2007 addressing a question regarding eligibility for unreduced early retirement benefits. The Memorandum clarified that a member was eligible for an unreduced early retirement benefit after serving 1000 hours in the 20th year instead of the completion of a full twenty years of service on a calendar basis.</p> <p>Ms. Hanson was questioned whether a member can participate in the share account after entry into the Drop. She agreed to research the matter and issue an opinion at the next meeting.</p> <p>Ms. Hanson reported that notification had been mailed to Paul Helmick regarding the denial of his request to change his joint annuitant and the period for him to appeal the decision had expired.</p>	<p>Bert Francis made to execute the Agreement with ICC Capital Management. Blanche Sherman seconded the motion, approved by the Trustees 5-0.</p>	<p>None</p> <p>Board</p> <p>None</p> <p>Jill Hanson</p> <p>None</p>
9.c.	<p>Jill Hanson provided for execution an Agreement for securities monitoring services by the firm Saxena White.</p>	<p>Frank Luna made to execute the Agreement with Saxena White. MaryAnne Taylor seconded the motion, approved by the Trustees 5-0.</p>	None

9.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 a previous 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. Ms. Hanson reported that a response had been received from the Agency that bargaining on the Amendment had not been waived but instead had not been addressed during negotiations. Ms. Hanson advised that revisions of important provisions other than eligibility requirements had also been addressed in the Amendment. It was noted that either party could waive bargaining and also the Union did not desire to address the issue in bargaining. A lengthy discussion ensued and the matter was tabled until the next meeting and some of the Trustees agreed to individually discuss the matter with the Union and Agency representatives.		
9.e.	The Board readdressed amending the Plan provisions to permit the change of joint annuitants after retirement. Pursuant to the request of the Board at the last meeting, Nick Schiess provided research into the related plan provisions of other transit agencies.	Frank Luna made to authorize Jill Hanson to prepare an Amendment to permit the change of joint annuitants after retirement. MaryAnne Taylor seconded the motion, approved by the Trustees 5-0.	Jill Hanson
9.b.	Bob Doane reported that the educational workshops conducted for the active members were very informative and well received. He discussed the merits of recording the workshops for internet distribution and hosting on the Administrator's website. Nick Schiess advised that the electronic conversion of the presentation was very involved and outside the scope of normal administrative services. He advised that research would be required into any outside production costs and agreed to provide a proposal at the next meeting.		PRC
9.f.	Bob Doane reported that in conjunction with the periodic review of service providers the committee tasked to review the relationship with the Custodian did not recommend any changes other than the negotiation of a revised agreement with current custodian Salem Trust Company.		Jill Hanson

9.	The Board discussed the timing and location of the annual holiday dinner noting that the event was in appreciation of the effort extended by the Trustees and service providers in service to the Plan.	The Board decided to host the annual holiday dinner at the Orange Blossom Trail location of Charley's Steakhouse at 6:00 P.M. after the next meeting.	Board
10.	The Board requested the Administrator to reschedule the previously scheduled next meeting.	The Board decided to schedule prospective meetings to commence at 9:00 A.M.	PRC
11.	The meeting adjourned at 5:10 P.M.		None

Respectfully submitted,

Blanche Sherman, Secretary