

**ATU LOCAL 1596 PENSION FUND
MINUTES OF MEETING HELD
AUGUST 24, 2010**

Board Members Present:

Robert Doane – Union Appointee
Frank Luna – Chairman, Union Appointee
Frank Lacock - Union Appointee
Edward Johnson - LYNX Appointee
Lisa Darnall - LYNX Appointee
Bert Francis - LYNX Appointee

Others Present

Nick Schiess - Plan Administrator
Robert Sugarman & Pedro Herrera - Plan Attorney
Jeff Amrose - Actuary
Brian Anderson – LYNX Liaison
Fran Wan – Investment Consultant
James Burdick – Auditor

| Agenda Item | Discussion | Decision | Status | Follow-up |
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| 1. | The meeting was called to order at 10:30 A.M. in the Board Room, Lynx Central Station, 455 N. Garland Av. Orlando, FL 32801. | | | |
| 2. | Frank Luna did not express any Chairman's comments. | | Closed | None |
| 3. | Jeff Amrose appeared before the Board on behalf of Gabriel, Roeder, Smith & Company to present the Actuarial Valuation for the fiscal year ending September 30, 2009. Mr. Amrose reported that for the 2011 fiscal year, the recommended funding requirements for LYNX is 10.87% and for the Participants is 5.98%, 8.48%, and 10.98% for the standard, enhanced, and second tier enhanced benefits respectively. This represents a .041% decrease in funding requirements for Participants and an .061% decrease for LYNX. He attributed the decrease in funding requirements to favorable Plan experience including lower than expected salary increases and more refunds of contributions for terminated and vested deferred members than anticipated. These gains were offset partially with investment returns that were lower than expected. | | | |

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| | <p>Mr. Amrose discussed the asset smoothing methodology, which averages the investment returns and losses over five years and serves to minimize the volatility of investment returns from any single year and produces more stable funding requirements.</p> <p>Mr. Amrose reported that the funded ratio of the Plan had increased to 92%, which was far above average. He reported that the balance of the funding standard account had decreased from \$2.2M to \$1.7M, however, the account was expected to increase in the 2010 fiscal year.</p> <p>A lengthy discussion arose regarding the accuracy of salary growth assumption and the appropriateness of the current mortality table. Mr. Amrose advised that the best practice was to at least every five years perform an experience study, which is an evaluation of actual experience versus the Plan assumptions.</p> <p>Bert Francis acknowledged receipt of the Actuarial Valuation on behalf of the Agency.</p> | <p>Frank Lacock made a motion to accept the Actuarial Valuation to establish the revised employee and employer contribution rates. Robert Doane seconded the motion, approved by the Trustees 6-0.</p> <p>Jeff Amrose agreed to provide a proposal for an experience study for consideration at the next quarterly meeting.</p> | <p>Closed</p> <p>Open</p> | <p>None</p> <p>Jeff Amrose Board</p> |
| 4. | <p>Frank Wan 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, 2010. The investment return for the quarter was 4.2% versus 4.0% for the index and for the fiscal year-to-date was 0.6% versus 2.0% for the index.</p> <p>Mr. Wan discussed economic and market conditions noting that the recent flight to safety has resulted in the overvaluation of bonds, which was anticipated to detract from investment returns prospectively. He provided a lengthy presentation on an alternative investment product, convertible bonds. Mr. Wan explained that the product was purchased as bonds, but with an option for conversion into equities. He then explained that the product featured the safety of bonds with a potential higher equity return but without the volatility of equities. He provided and reviewed the anticipated risk/reward measurements of a model portfolio with a 10% allocation to convertible bonds noting an anticipated increase in</p> | | | |

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| | <p>returns along with a reduction in risk and volatility. He advised that convertible bond products were limited and the most likely alternative to gain exposure was through an exchange traded fund. A lengthy discussion arose regarding the funding of this alternative product and Mr. Wan advised that the product should be funded with a corresponding reduction in equities. He concluded his presentation with a recommendation to shift a 10% allocation of the total portfolio to convertible bonds. For the Board's consideration, Mr. Wan provided a revised Investment Policy Statement containing guidelines for the addition of convertible bonds.</p> <p>A discussion arose regarding the specific source and timing of funding for the new investment product. Mr. Wan reviewed the asset allocation, noting that the mid cap equity allocation was currently overweight by 8%, which was attributable to the tremendous recent growth of this investment. A discussion arose regarding the target allocations and whether it was prudent to rebalance from the best performing asset class. Mr. Wan explained that it was imperative to maintain a disciplined approach on target allocation and reallocation. It was noted that because the Investment Policy Statement was just adopted, a waiting period of 31 days existed after being filed with the Plan sponsor because of this change. Bert Francis acknowledged receipt of the document on behalf of LYNX.</p> <p>Mr. Wan reviewed the performance of the individual investment products in great detail. He reported that the underperformance of the Westwood Capital Management fund was attributable to the high quality bias of the portfolio during a period in which the market favored lower quality equities. He reported that Burgess Chambers had conducted a due diligence visit to the firm and had determined that the firm's investment process and portfolio management team was intact. Mr. Wan recommended that the firm be placed on a watch list and the Board agreed.</p> | <p>Robert Doane made a motion based upon the recommendation of the Investment Consultant to adopt the revised Investment Policy Statement and shift a 10% allocation of the total portfolio into convertible bonds in a manner consistent with the Investment Policy Statement. Frank Lacock seconded the motion, approved by the Trustees 6-0.</p> <p>It was the consensus of the Board to follow the Investment Consultant's recommendation to fund the new convertible bond investment product with a 10% reallocation selected by the Investment Consultant staggered over three consecutive months starting in 31 days.</p> | <p>Open</p> <p>Open</p> | <p>BCA PRC</p> <p>BCA PRC</p> |
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| 6. b. | It was clarified that the Trustee Travel Expense Policy Statement previously adopted by the Board was a complete amended policy that was based upon LYNX's travel policy. | | Closed | None |
| 6. c. | As a follow up to the last meeting, Nick Schiess provided and reviewed detailed information on active and retired participants who have missed service while out on worker's compensation within the last five years. He noted that, pursuant to the Plan Document, they can receive service credit by paying contributions on worker's compensation benefits received for lost wages. Mr. Schiess recommended the preparation of a mailing to the affected persons advising them of their options and rights. | The Board directed the Administrator to prepare a mailing to active and retired participants who have missed service while out on worker's compensation within the last five years advising them of their option to purchase service credit in the Plan. | Open | PRC |
| 6. d. | As a follow up to the last meeting, Nick Schiess reported that progress had been made on the educational video on the benefits of the Plan. He reminded the Board that he was preparing the video personally on his own accord, thanked the Trustees for their patience, and advised that he expected to complete the project within 45 days. | | Open | Nick Schiess |
| 6. e. | <p>As a follow up to the last meeting, Nick Schiess reported that the mailing for the annual enrollment for enhanced benefits and share accounts had been completed and the deadline for response was September 30, 2010.</p> <p>Frank Luna requested support from LYNX in this effort including marketing materials. A discussion arose and it was believed that while LYNX might be able to assist in the creation of marketing materials, the costs of producing the materials must be the responsibility of the Plan. It was noted that a budget of \$2K had been established for the purchase of bulletin boards and the actual purchase price was now expected to be less. A lengthy discussion ensued.</p> | <p>Robert Doane made a motion to spend the remaining budgeted cash after the purchase of the bulletin boards for member communications. Edward Johnson seconded the motion, approved by the Trustees 6-0.</p> | <p>Open</p> <p>Open</p> | <p>PRC</p> <p>Frank Luna</p> |
| 6. f. | As a follow up to the last meeting, Bert Francis reported reviewing the cash management procedures for the Plan's checking account. He reported that the Admini- | | Open | PRC |

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| | strator's management of the account was satisfactory but he requested research into whether a sweep type banking arrangement might be beneficial for the Plan. | | | |
| 6. g. | <p>As a follow up to the last meeting, Pedro Herrera reported that the revised agreement with Bank of New York to provide index funds without securities lending had been successfully negotiated and executed. Nick Schiess reported that the index funds had been transitioned to non-securities lending funds. Also the S&P 500 Growth Fund had been replaced with the Russell 1000 Growth Fund, all pursuant to the direction of the Board at the last meeting.</p> <p>Mr. Herrera explained that index funds were very limited with respect to acceptance of fiduciary responsibility. He recommended preparation of an addendum to the agreement with the Investment Consultant wherein fiduciary responsibility for the index funds is accepted by the Investment Consultant.</p> | <p>Bert Francis made a motion to direct the Plan's Attorney to prepare an amendment to the agreement with the Investment Consultant and authorize the Chairman to execute the agreement. Frank Lacock seconded the motion, approved by the Trustees 6-0.</p> | <p>Closed</p> <p>Open</p> | <p>None</p> <p>Sugarman & Susskind BCA</p> |
| 7. | The Board reviewed the minutes of the meeting held on May 25, 2010. | Edward Johnson made a motion to approve the minutes of the meeting held on May 25, 2010. Robert Doane seconded the motion, approved by the Trustees 6-0. | Closed | None |
| 8. a. | The Trustees reviewed the list of disbursements presented for approval. | Edward Johnson made a motion to approve the disbursements as presented. Robert Doane seconded the motion, approved by the Trustees 6-0. | Closed | None |
| 8. b. | Un-audited statements of the balance sheet and income and expense were provided to the Board. | The Trustees received and filed the financial statements. | Closed | None |
| 9. a. | The Trustees reviewed the list of benefit approvals presented for approval. | Robert Doane made a motion to approve the benefit approvals as presented. Edward Johnson seconded the motion, approved by the Trustees 6-0. | Closed | None |
| 9. | Nick Schiess reported that pursuant to the direction of the Board at the last meeting, notification had been sent to Jose Rios regarding the determination of his service credit. | | Closed | None |

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| | <p>He reported that James Williams had contacted his office regarding a potential deferred vested benefit, and he was attempting to construct service history but obtaining records was challenging.</p> | | Open | PRC |
| 10. | <p>Robert Sugarman provided and reviewed proposed Amendment Ten containing technical changes required to be in compliance with new Internal Revenue Service guidelines.</p> <p>Mr. Sugarman provided a proposal to prepare a submission for a favorable Tax Determination Letter from the Internal Revenue Service for a fee of \$8,500 plus an additional \$1,000 filing fee charged by the Service. He explained that the fee was comparatively low because of the economies of scale realized from his firm filing on behalf of many clients. Mr. Sugarman discussed the advantages of operating within Service guidelines including exemption from income taxes and pre-tax contributions for active employees. He reported that the Service had expressed a renewed interest in governmental pension plans, which might result in increased scrutiny resulting in fines and penalties for items found to be out of compliance. Mr. Sugarman advised that the Service had extended the deadline for on-cycle 2011 filing until January 31, 2011 thereby allowing an open window for filing with greater leniency expected on violations. He then discussed the risks of delaying the filing.</p> <p>Mr. Sugarman then updated the Board on miscellaneous activities performed since the last meeting.</p> <p>As a legislative update, Robert Sugarman reported that no new State legislation affecting the Plan had passed.</p> <p>Mr. Sugarman discussed upcoming educational conferences.</p> | <p>The Board authorized Mr. Sugarman to forward proposed Amendment Ten to Nadine Schaal on behalf of LYNX, the Union, and the Actuary for a financial impact statement.</p> | Open | Sugarman & Susskind |

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| 11. a. | Nick Schiess reported that a new form for selection of an earnings method for the DROP had been sent to the Plan Attorney for approval. | The Board authorized the use of the revised form after approval by the Plan Attorney. | Closed | None |
| 11. c. | Nick Schiess reminded the Board that past practice was to provide notification via direct mail to the active members regarding changes in contribution rates but suggested that the new bulletin boards might be a more cost effective distribution method. | The Trustees requested that notification regarding the change in contribution rates be distributed via the new bulletin boards in lieu of direct mailing. | Open | Brian Anderson |
| 11. | The Trustees discussed the arrangements for the annual Holiday Dinner. | | Closed | None |
| 12. | The next meeting was scheduled for November 30, 2010. | | Closed | None |
| | The meeting adjourned at 3:43 P.M. | | Closed | None |

Respectfully submitted,

Secretary