

Investment Plans Committee

Regular Meeting
Minutes
February 27, 2008

A regular session of the Investment Plans Committee was held on Wednesday, February 27, 2008 and convened at 8:30 a.m. 300 Lakeside Drive, 20th Floor; Oakland, California, 94612.

Committee Members or Alternate Members Present:

Elaine M. Kurtz,	BART alt.
Howard D. Jones,	SEIU
Bob Fernandez,	SEIU alt.
Carolyn Pope-Chappell,	ATU
Hubert LaViolette,	ATU alt.
Rube Warren,	AFSCME
Jean Hamilton,	AFSCME alt.
Kory Frost,	BPOA
Michael Pon,	BPOA alt.

Committee Members or Alternate Members Absent:

Teresa Murphy, BART

Other Attendees:

Lisa Laughlin,	Barclay's Global Investors
Rhonda Vitanye,	Barclay's Global Investors
Ann-Marie Carlson,	ICMA-RC
Russ Richeda,	Saltzman & Johnson
Marcia Beard,	R.V. Kuhns
Peter Horikoshi,	BART
Carolina Lopez,	BART

AGENDA ITEM 1 - Convene and Sign-in

The meeting convened at 8:30 a.m. and was chaired by Elaine Kurtz.

AGENDA ITEM 2 – Public Comment

There were no public comments at the February 27, 2008 BART Investment Plans Committee's public meeting.

AGENDA ITEM 3 - IPC Committee Chair Report - "Check-in" by IPC Members

- A Committee Member had a question regarding retiring in December and deferring part of the final paycheck in January of the following year. Legal counsel for the committee was asked to research this question.
- A Committee Member reported that an employee allegedly asked an ICMA-RC Representative if they could transfer money into another qualified plan after they retire. The representative reportedly advised that this was not permissible. This advice was incorrect. The ICMA-RC relationship manager will look into the matter.
- A Committee Member reported that employees in the Hayward Yard are pleased with the 15 min. sessions and would like more time to be available to them. Another Committee Member suggested that benefits staff work with ICMA-RC to increase outreach efforts. Some suggestions included: showing videos and making presentations during lunch time and at staff meetings, and putting something on the web portal.
- A Committee Member forwarded an employee's question about changing tax withholding on monthly disbursement during retirement and asked about the default withholding amount.

AGENDA ITEM 4 - Discussion and Action Concerning a) Minutes – Jan. 23, 2008

The Committee reviewed the January 23, 2008 meeting minutes and approved the following motion:

Motion: To approve the January 23, 2008 meeting minutes with the following modifications:

Page 4 - Agenda Item 5: Change - "Dan Kohler from ICMA-RC reviewed the VantageBroker program. BART participants with a minimum balance of \$6,000 in the deferred compensation plan can use the VantageBroker services..."

Page 4 – Agenda Item 5: Change - "Result: The Committee directed staff to post a message regarding the improvements in the VantageBroker Fund website. ~~The Committee directed staff to list all of the available funds on the website.~~"

Page 5 – Agenda Item 7: Change - "The performance of the Stable Value Fund met policy expectations ~~has been good~~ for the last six to seven months."

Page 6 – Agenda Item 8b: Change - "The investment analyst presented an active/passive comparison report because BART's Investment Plans ~~use both~~ include as investment options"

both BGI's active (Active Stock) fund and passive (S&P 500) fund.

Page 7 – Agenda Item 9a: Change - “Result: The Committee asked the recordkeeper to provide comparative information for the past several months of fund transfers based on an observation of large amounts of fund transfers. “

Page 7 – Agenda Item 9e: Change - “The recordkeeper reported a mathematical error by The Franklin Templeton Institutional Foreign Equity Fund that resulted in an excess payment profit of \$550.00.”

Page 7 – Agenda Item 9g: Change - Result: The Committee approved a change of trustee from State Street Bank to VantageTrust ICMA-RC who has agreed to assume trustee duties at no additional costs. The attorney to the committee will review the language to allow the change of trustee to VantageTrust ICMA-RC.

Page 7 – Agenda Item 9h: Change - Transferring money from the Deferred Compensation Plan had ~~has~~ only been allowable after employees retire.

Page 8 – Agenda Item 10a: Change - “The attorney for the Investment Plans Committee presented an update on legal developments including IRS Limits for 2008 - ~~which have not changed from 2007 and are listed on the table below:~~

Contribution Type	Annual Maximum	Pay Period Amount
Basic	\$15,500	\$596.16
Over 50 Catch-Up	\$20,500	\$788.47
Pre-Retirement Catch-Up	\$31,000	\$1,192.31

	DEFERRAL CATEGORY FOR 2008	ANNUAL MAXIMUM	PAY PERIOD AMOUNT
1.	Basic Deferral	\$15,500	\$596.16
2.	50 Plus Catch-up	\$5,000	\$192.31
3.	Basic Deferral + 50 Plus Catch-up (categories: 1+2)	\$20,500	\$788.47
4.	Pre-Retirement Catch-up (three consecutive year max, minimum age requirement) *	\$15,500	\$596.16
5.	Basic Deferral + Pre-Retirement Catch-up (categories 1+4)	\$31,000	\$1,192.31

* Actual amount depends on individual opportunity. For more information, contact Benefits staff.

Page 8 – Agenda Item 10c: Change - “Legal counsel stated that there were no new developments to report. “

AGENDA ITEM 5 - Discussion and Action Concerning

- a) Ann-Marie Carlson of ICMA-RC provided the Committee with the transaction summary for the 401(a) Money Purchase Pension Plan and 457 Deferred Compensation Plan for the period ending January 31, 2008.

January 2008	401a MPP	457 Deferred Comp
Opening Balance	\$276,773,549	\$426,713,958
Contributions	1,388,554	1,904,092
Roll-ins	18,701	91
Distributions	(1,693,381)	(2,277,183)
Adjustments	(1,975)	8,025
Investment Earnings	(10,329,056)	(18,051,618)
Service Fees	(45)	(10,120)
Closing Balance	266,156,347	408,287,244
Change	(\$10,617,202)	(\$18,426,714)

The recordkeeper noted that there were two new participants in the VantageBroker program. A Committee member asked about the Deferred Compensation Plan expense fee of \$10,000. The recordkeeper will research the question and present an answer at the March 26, 2008 meeting. The recordkeeper also noted that many participants transferred an unusually high amount of money into the Stable Value Fund. This appears to be a reaction to the instability of the stock market in recent months. A Committee member noted that the amount of money in the VantageBroker self directed option is now larger than ten of the other funds.

- b) Trust Agreement Update – Legal counsel for the Committee is working with VantageTrust to finalize the agreement. This expected to be completed by the March 26, 2008 meeting.
- c) Contract Renewal – The recordkeeper presented terms for the contract renewal. The Committee excused the recordkeeper and discussed a counter-proposal, which the Committee presented to the recordkeeper. The recordkeeper will discuss the counter-proposal with ICMA-RC and either accept the counter-proposal, or offer a revised proposal at the next meeting. **Result:** The Committee presented a counter-proposal to ICMA-RC. ICMA-RC will present a new proposal at the March 26, 2008 meeting.
- d) Premier Pricing – Presentation & Action – The recordkeeper presented terms for the contract renewal reflecting an annual increase of 10%. ICMA-RC offered enhancements to the Premier Program that include online videos and seminars, a flyer which is scheduled to be mailed on March 6, 2008 to participants who are enrolled in the program. A second flyer is scheduled to be mailed two weeks later to eligible participants inviting them to enroll in the Premier Program. After the end of the third quarter ICMA-RC will send an additional reminder to eligible participants. **Result:** The Committee voted to continue with The Premier Program through 2008 with a 10%

increase. ICMA-RC will send a letter to eligible participants annually. For future years, the Committee will decide on renewal on a year by year basis.

- e) Performance Guarantees – Presentation – The recordkeeper presented the results of the performance guarantees. ICMA-RC met each of the performance guarantees. The Committee expressed their concern that some of the parameters of the guarantees might render them not applicable, based on the minimum number of requests needed to apply the guarantee.
- f) Fund Transfers – In the January 23, 2008 meeting, the Committee requested a breakdown of a \$1 million fund transfer that occurred in December 2007 as well as a breakdown of fund transfers, by fund, for the past several months. The recordkeeper presented the breakdown which displays a trend of members moving monies from riskier options to more conservative options.
- g) VantageBroker Fee Reduction Presentation – The recordkeeper reported that a letter will be sent from ICMA-RC notifying BART that the VantageBroker fees have been reduced. A detailed fee schedule is provided in the January 23, 2008 minutes.

AGENDA ITEM 6 - Discussion and Action Concerning

- a) January Investment Performance Update – Performance of the funds was disappointing in January 2008 both on an absolute and relative basis. Fourteen of the eighteen funds performed below their respective guidelines in the month of January. This was a reversal of the year ended 12/31/07, when fourteen of the eighteen funds outperformed their respective guidelines. The market is reacting to the worsening housing slump, credit problems, higher energy costs, and deteriorating job market. Investors and consumers have become more cautious.
- b) The Investment Policy was amended to remove the Tier-One Life Strategy Option and replace it with Tier-One Life Strategy (Target Retirement Date) Option.
- c) Investment Manager Review - BGI Focus – in anticipation of the fund manager update both BGI funds were reviewed. As of 12/31/07, the BGI Active Stock Fund K underperformed the S&P 500 Index in the one-, three- and five-year periods. The since inception (4/1/97) annualized return of 7.55% was 15 basis points above the Index return but below BGI's goal to outperform the S&P 500 Index by 50 basis points net of fees.

AGENDA ITEM 7 - Fund Manager Update

Lisa Laughlin and Rhonda Vitanye from Barclay's Global Investors discussed the past year's performance.

- The performance guideline for the BGI Equity Index fund is to match the S&P 500. The fund met the performance guideline over the past year.
- The performance guideline for the BGI Active Stock fund is to beat the S&P 500 by 100 basis points or more. In 2007, this fund under-performed in comparison to the S&P 500 by 5.12%.
- The fund managers reported that BGI uses three key elements to rank stock for

purchase – Relative Valuation, Earnings Quality, and Sentiment.

Result: The Committee asked the investment analyst to monitor the performance of the BGI Active Stock fund for the next several months.

AGENDA ITEM 8 - Discussion and Action Concerning

- a) VantageTrust trust agreements – Legal counsel notified the Committee that final versions of the trust agreements have been agreed upon and will be executed.
- b) Legal update (information) – Legal counsel indicated that he was continuing to prepare a legal update.
- c) IRS tracking report (information) – Legal counsel advised the Committee that there have been no new relevant amendments, changes in regulations, revenue rulings, procedures, private letter rulings, or other IRS guidance.
- d) Plan Amendment Chart (information) – Legal counsel presented an updated plan amendment chart and indicated that he was completing the preparation of a restated Deferred Compensation Plan document.
- e) Status on administrative fee analysis – Legal counsel reported that he was completing his opinion on the issue of the allocation among plan participants of administrative fees. The Committee discussed this issue from a policy perspective and reviewed some of the issues in favor of allocation of such fees among all plan participants.

AGENDA ITEM 9 - Discussion and Action Concerning – 2008 Investment Plan Committee Strategic Plan

The Committee discussed programs and initiatives that they would like to consider for 2008. The Committee will discuss the Strategic Plan in more detail at the March 26, 2008 meeting.

AGENDA ITEM 10 - Discussion and Action Concerning

- a) Participant Request – A participant asked the Committee to consider Certificates of Deposit (CD) as an option for investment. The Committee decided not to add this investment option at this time. CD's are available through the VantageBroker program. In addition, the Stable Value fund offers a reasonable alternative of low risk.
- b) Annual Participant Fair Preparations - Staff presented the schedule and list of speakers to the Committee. The Committee has elected to continue their role in introducing speakers as well as directing participants to the workshops.
- c) Status of 2005 & 2006 Audits – Brown Armstrong is scheduled to work on the 2005 & 2006 audits during the weeks of March 3, 2008 and March 10, 2008. Staff has scheduled weekly conference calls to review the requests of the auditors for documentation and the review of documents by the auditors. BART staff will negotiate with Brown Armstrong to determine a completion date.
- d) Monthly Budget Review and Check Registers – January – Unusual items included an overpayment to the legal counsel that was refunded and deposited into the unallocated funds account. Staff is working on transferring the monthly budgets into Quickbooks and plans to present the budget for both January and February at the next meeting.
- e) 2008 Annual Proposed Budget – The Committee approved the proposed budget for 2008. This represents a 3.3% decrease as compared to the 2007 budget.

BART Investment Plans Committee
Deferred Compensation and Money Purchase Pension Plans
Proposed 2008 Budget

	2007 Budget	Proposed Budget	Increase/ Decrease	Comments
Professional Services:				
Accounting/Auditing				
Fixed	\$60,900	\$60,900	\$0	
Variable	\$5,000	\$5,000	\$0	
IRS Model Audit	\$15,000	\$0	(\$15,000)	Not for 2008
Investment Advisor	\$71,000	\$75,000	\$4,000	
Legal Counsel				
Retainer	\$63,100	\$63,600	\$500	Change mid-year
Non-Retainer	\$15,000	\$15,000	\$0	
Record Keeping Services*				
Fixed	\$250,000	\$265,750	\$15,750	Addition of funds
Variable	\$10,000	\$10,000	\$0	
Premier Services	\$11,375	\$12,750	\$1,375	
Onsite Educator	\$56,250	\$56,250	\$0	
Trustee*				
Fixed	\$10,000	\$0	(\$10,000)	Reduction of Fees
Total Professional Services	\$567,625	\$564,250	(\$3,375)	
General Expenses:				
Printing and Mailing	\$5,000	\$10,000	\$5,000	
Participant Retention	\$15,000	\$10,000	(\$5,000)	
Committee Education/Seminar	\$60,000	\$60,000	\$0	
BARTIPC.ORG Website	\$30,000	\$5,000	(\$25,000)	Estimate per Ann-Marie
Memberships	\$2,000	\$2,500	\$500	
Participant Meeting Costs	\$20,000	\$15,000	(\$5,000)	
Administrative Services	\$105,000	\$105,000	\$0	
Participant Forms Mailing	\$0	\$5,000	\$5,000	Formerly Misc.
Committee Meetings	\$15,000	\$15,000	\$0	Formerly Misc.
Fiduciary Liability Insurance	\$25,000	\$30,000	\$5,000	Estimate per Peter
Contingent Expenses	\$20,000	\$15,000	(\$5,000)	
Total General Expenses	\$297,000	\$272,500	(\$24,500)	
Total Expenses	\$864,625	\$836,750	(\$27,875)	

- f) Quarterly Participant Statement Error for Non-Rep Employees - BART employees reported an error in their quarterly participant statement from ICMA-RC. This error appears to only be reflected in the statements of non-represented employees. BART staff will work with ICMA-RC to determine the source of the error and the resolution.
- g) Cash Flow for Committee Expenses – BART staff has determined that food

purchases for committee events are allowable under BART policy. Airfare and travel expenses are not allowable using BART credit cards. BART staff will report on the possibility of obtaining a credit card for the committee separately.

- h) Workshops/seminar – NAGDCA will present a webcast – staff will arrange for the committee to participate as a group. Staff has also signed up for a Quickbooks class. A Committee member plans to attend the 2008 CALAPRS General Assembly which is scheduled from March 2 – 4, 2008.
- i) Fiduciary Liability Insurance Update – Staff reported that the insurance company agreed to lower the deductible from \$25,000 per incident to \$10,000 per incident effective November 1, 2007. This reduction will cost an additional \$1,949 per year. This will result in a net refund of \$13,306.

AGENDA ITEM 11 - Discussion and Action Concerning

March 26, 2008 IPC Agenda – Jake O’Shaughnessy will substitute as investment analyst for Marcia Beard at the March 26, 2008 meeting.

**AGENDA ITEM 12 - Closed Session Pursuant to Government Code Section 54957.10:
Hardship Application(s)**

The Committee adjourned the public meeting at 2:15 p.m. to consider a Hardship Withdrawal Application and reconvened the public meeting at 2:30 p.m.

AGENDA ITEM 13 - Adjournment

The meeting adjourned at 2:30 p.m.