

Investment Plans Committee

Regular Meeting
Minutes
March 26, 2008

A regular session of the Investment Plans Committee was held on Wednesday, March 26, 2008 and convened at 8:35 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:

John O'Halloran,	Rainier
Ann-Marie Carlson,	ICMA-RC
Russ Richeda,	Saltzman & Johnson
Jake O'Shaughnessy,	R.V. Kuhns
Peter Horikoshi,	BART
Carolina Lopez,	BART
Arne Stokstad,	BART

AGENDA ITEM 1 - Convene and Sign-in

The meeting convened at 8:35 a.m. and was chaired by Elaine Kurtz.

AGENDA ITEM 2 – Public Comment

There were no public comments at the March 26, 2008 BART Investment Plans Committee's public meeting.

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

- a) Legal counsel for the Committee provided an answer to the question of whether an employee retiring in December and receiving a final paycheck in January can defer money into the deferred compensation account on that check. The question was raised because the employee would technically be terminated prior to the year in which the check would be issued. This is permissible under the Internal Revenue Code, however, legal counsel stated that the employee must submit paperwork to Benefits prior to the month of retirement in accordance with the plan document.
- b) A Committee member requested clarification regarding the California Fair Political Practices Commission Statement of Economic Interest Form (commonly known as Form 700). A Committee member asked staff to keep track of reportable items over \$50. Another Committee member asked staff to keep a copy of Form 700 for all Committee members and to provide the new form along with last year's form to each member. **Result:** Staff will keep a copy of Form 700 for all committee members.
- c) A Committee member reported that in the CALAPRS Conference the issues of a Press Communications Policy and responses to Public Records Act requests were raised. One of the questions was whether information such as the account balances of participants might be subject to disclosure. This item will be placed on the agenda for the April 23, 2008 meeting.

AGENDA ITEM 4 - Discussion and Action Concerning

- a) Minutes – Feb. 27, 2008

The Committee reviewed the February 27, 2008 meeting minutes and approved the following motion:

Motion: To approve the February 27, 2008 meeting minutes with the following modifications:

Page 2 – Agenda Item 3: Change - "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."

Page 3 – Agenda Item 9h: Change – "allowable after employees retire."

Page 5 – Agenda Item 6b: Change – "The Investment Policy was amended to ~~approve changes to the~~ remove the Tier-One Life Strategy Option incorporate the and replace it with Tier- One Life Strategy (Target Retirement Date) Option."

AGENDA ITEM 5 - Discussion and Action Concerning

- a) 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.
- b) Plan Amendment Chart – Legal counsel reported that he is completing the preparation of a restated Deferred Compensation Plan Document.
 - c) VantageTrust Agreement – Legal counsel provided a synopsis of the events that led to a new trustee agreement with VantageTrust. State Street took over as trustee from Investor Bank and Trust in 2007 and did not want to remain as the trustee for the Committee's two plans. Agreements have been executed and the transition has occurred, with an effective date of February 18, 2008.
 - d) Amendment – ICMA-RC presented a revised proposed amendment to the recordkeeping contract. **Action:** The Committee approved Amendment No. 7 which:
 - Freezes the participant fee at \$32 per year for one account and \$48 per year for two accounts in exchange for a contract extension through 2012, and
 - Retains Premier Services on a year-to-year basis.The Committee expressed their intention to continue participation in Premier Services as long as participant enrollment and perceived value increase over time.
 - e) Using Stable Value Fund for Short-Term Costs – The auditors, Brown Armstrong, recommended that the Committee move the administrative account out of the Stable Value Fund. Legal counsel recommended that staff, ICMA-RC, and the Investment Analyst discuss an alternative that keeps the administrative money separate from participant accounts.

AGENDA ITEM 6 - Closed Session Pursuant to Government Code Section 54957.10:
Hardship Application(s)

The Committee adjourned the public meeting at 9:20 a.m. to consider a Hardship Withdrawal Application and reconvened the public meeting at 10:20 a.m.

AGENDA ITEM 7 – Discussion and Action Concerning

a) Investment Consultant Monthly Update

Performance through February 2008 was presented. Year to date performance for nearly all equity asset classes was down substantially. Thus far in 2008 we have seen a re-pricing of risk and a flight to quality that has led to the poor equity performance. Committee members asked about volatility related to subprime mortgage exposure and the response was that there was no direct exposure per se, but the re-pricing of risk in light of this matter has generated a ripple effect throughout financial markets that has adversely affected fund performance.

The BGI Active Stock Fund K has outperformed the S&P 500 thus far in 2008 thanks to value being in favor for the first 2 months, however, R. V. Kuhns will continue to closely scrutinize performance in light of the lackluster trailing 1 year performance. BGI Active Stock Fund K has outperformed the S&P 500 since inception.

Dodge and Cox fixed income underperformed the Lehman Aggregate primarily due to a shorter duration than the index. As demand for longer dated, higher quality fixed income securities (primarily US Treasuries) was a large driver of returns for many managers, Dodge and Cox lagged as compared to its peers. Dodge & Cox was underweight in treasuries and overweight in corporate bonds.

AGENDA ITEM 8 – Fund Manager Update – Rainier Small/Mid Cap Growth Equity Option

- For calendar years 2005 - 2007, the Rainier fund exceeded the Investment Policy Guideline for the Small/Mid Cap Growth Fund category by returning an annual average of 17.86% vs. 10.03% for the Russell 2500 Growth Index over a 3 year period.
 - For calendar years 2005 - 2007, the fund exceeded the Investment Policy Guideline of being ranked in the 50th percentile or higher in the U.S. Equity Mid-Cap Growth Funds Universe by ranking in the 4th percentile over a 3 year period.
 - For calendar years 2003 – 2007, the fund exceeded the Investment Policy Guideline by returning an annual average of 22.95% vs. 17.43% for the Russell 2500 Growth Index over a 5 year period.
 - For calendar years 2003 - 2007, the fund exceeded the Investment Policy Guideline of being ranked in the 50th percentile or higher in the U.S. Equity Mid-Cap Growth Funds Universe by ranking in the 2nd percentile over a 5 year period.
 - The fund exceeded the Investment Policy Guideline of not significantly increasing the expense ratio from the previous quarter by maintaining the expense ratio of 1.18%.
- a) John O’Halloran presented an update on the Small Mid-Cap Growth fund results over the past year. Leading the way in the Rainier Management Team were two new key members and role changes for two other managers. This fund was recently closed to new investors to preserve the ability to manage the fund effectively. Overall the current balance of the fund is approximately \$7 billion, including \$30 million from BART’s Money Purchase Pension Plan and \$48 million from BART’s Deferred Compensation Plan. Performance has been very consistent on a long-term basis.

AGENDA ITEM 9 – 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 February 29, 2008.

February 2008	401a MPP	457 Deferred Comp
Opening Balance	\$266,156,347	\$408,287,244
Contributions	2,034,684	2,787,130
Roll-ins	539,236	42,707
Distributions	(1,780,012)	(2,311,372)
Adjustments	5,706	16,221
Investment Earnings	(2,307,688)	(4,016,425)
Service Fees	0	(10,015)
Closing Balance	264,648,273	404,795,490
Change	(\$1,508,074)	(\$3,491,754)

- b) Contract Renewal – The recordkeeper thanked the Committee for renewing the contract during the legal counsel’s section of the meeting.
- c) The recordkeeper provided a detailed report of onsite visits of Client Services Representatives in the field. The Committee discussed whether consideration should be given to expanding their schedule and possibly adding another day per week in the future. The Committee requested that similar statistics be provided for the Financial Planner’s sessions.
- d) In the February 27, 2008 meeting a Committee member had asked about the Deferred Compensation Plan monthly expense fee of \$10,000. The recordkeeper reported that BART staff had asked ICMA-RC several years ago to transfer \$10,000 per month from participant accounts to pay for ongoing plan expenses. Staff estimated at that time that a \$50,000 minimum balance was needed for the account. The fee holiday for participants was subsequently terminated and the \$10,000 per month transfer was assessed to cover plan expenses. A Committee member recommended that, due to the February, 2008 balance of over \$320,000, the fee holiday should now be reinstated. **Result:** The Committee directed the recordkeeper to stop withdrawing the \$10,000 expense fee and reinstate the fee holiday for Deferred Compensation Plan participants.
- e) A Committee member suggested that staff ask all the Committee members to review the BART IPC website prior to the next meeting to see what needs to be updated.
- f) Recordkeeper reported on an ICMA-RC Savers Initiative wherein ICMA-RC is launching a research initiative to better understand the real barriers to participation and how to best motivate employees to take advantage of retirement savings through the employer’s 457 Deferred Compensation Plan. Further information was provided on the qualitative research which will consist of a series of focus groups, in-depth telephone interviews, and mid-length telephone interviews. The offer was extended to BART to participate in this initiative and as a result of participation ICMA-RC will share the results of this research project with BART’s Investment Plans Committee. **Result:** The Committee agreed to participate and the information concerning this initiative should be forwarded to Peter to coordinate.

AGENDA ITEM 10 - Discussion and Action Concerning

- a) The Committee established priorities for the remainder of 2008. After reviewing the eight categories of potential initiatives, the Committee decided that Participant Outreach and Education as well as Participant Retention were the most important initiatives to meet the needs of all participants. The Committee established the following three subcommittees:
 - Policy Book
 - Education and Outreach
 - Participant Retention

These subcommittees will meet and report back to the Committee in future meetings.

AGENDA ITEM 11 - Discussion and Action Concerning

- a) Participants Day – Staff estimated that 200 participants attended the different sessions. Feedback was generally very positive.
- b) Status of 2005 & 2006 Audits – Staff reported that the auditors were onsite the

previous week. The auditors are working on a draft report that should be distributed in 3 weeks. The auditors will attend the April 23, 2008 meeting and present the final reports for 2005 & 2006.

- c) Preparation for 2007 Audit - The auditors will e-mail a proposal of services and estimate of cost for the 2007 audit as well as a tentative agreement. The auditors have tentatively scheduled a site visit for May. The legal counsel will send a copy of the previous agreement for comparison.
- d) Monthly Budget Review and Check Register – Staff presented a transitional budget showing expenses paid in 2008 separated by 2007 expenses and 2008 expenses. This was displayed in both a spreadsheet and a Quickbooks report.
- f) Quarterly Participant Statement - error & solution – ICMA-RC staff identified that the error in the participant statement resulted from the new option for employees to elect to deposit a dollar amount equivalent to sick leave buyback on an after-tax basis. Since this was the first year for this option, there was miscommunication between BART payroll and ICMA-RC. The correction will be reflected on next quarterly statement.
- g) Cash Flow for Committee Expenses – Staff looked into obtaining a credit card with the Bank of America branch in the building. After some discussion, the Committee directed staff to include this subject with the research of transferring administrative account money out of the Stable Value Fund and into a bank account. Staff will ask the auditors for recommendations on this matter.
- h) Workshop & Seminars – A Committee member and a staff member will be attending the Pension and Investments Conference in Chicago from April 27 – 29, 2008. Committee and staff members are invited to participate in the NAGDCAST on Legal Developments affecting Defined Contribution Plans.

AGENDA ITEM 12 – Discussion and Action Concerning

April 23, 2008 IPC Agenda –

- a) Press Communications Policy
- b) Response to Public Records Act Requests
- c) T. Rowe Price – more specific benchmark provided by Investment Analyst
- d) Preparation for 2007 Audit
- e) Brown Bag Presentation by Fund Manager after monthly IPC meeting

AGENDA ITEM 13 - Adjournment

The meeting was adjourned at 2:00 p.m.