

Investment Plans Committee

Regular Meeting
Minutes
May 28, 2008

A regular session of the Investment Plans Committee was held on Wednesday, May 28, 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 La Violette,	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:

David Orlando,	T. Rowe Price
Ann-Marie Carlson,	ICMA-RC
Russ Richeda,	Saltzman & Johnson
Marcia Beard,	R.V. Kuhns
Jake O'Shaughnessy,	R.V. Kuhns
Peter Horikoshi,	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 May 28, 2008 BART Investment Plans Committee's public meeting.

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

A Committee member suggested that it would have been preferable if the Premier services mailing was signed by the Investment Plans Committee rather than BART.

A Committee member asked if employees can make additional after tax contributions on their final paycheck into the Money Purchase Pension plan. Legal counsel replied that the final pay plan amendment has not yet been finalized.

AGENDA ITEM 4 - Discussion and Action Concerning

a) Minutes – April 23, 2008

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

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

Page 4 - Agenda Item 6: Change - "The Committee reviewed the two large cap core options and answered the following ~~decisions~~ questions:"

Page 6 - Agenda Item 8: Change - "The Committee's extended discussion about the management letter associated with the 2005/2006 audits and the upcoming 2007 audit delayed the auditor's presentation. The Committee was made aware of the high volume of management-letter comments received for both years and plans, despite the clean reports. The Committee is aware that the Segal company is conducting an operations review of the Benefits group which will support a substantial review and upgrade of these and similar items. The auditor had to leave to catch his flight and left his materials with the Committee. Staff has contacted the auditor to arrange for finalization of the audit.

Page 7 - Agenda Item 10b: Change - "~~He recommended that t~~The Committee discussed the option to use the District's Public Affairs department to respond to press requests to the Committee.

AGENDA ITEM 5 – Discussion and Action Concerning Record Keeper Report

- a) Ann-Marie Carlson of ICMA-RC provided the following transaction summary for the 401(a) Money Purchase Pension Plan and 457 Deferred Compensation Plan for the period ending April 30, 2008.

April 2008	401(a) MPP	457 Deferred Comp
Opening Balance	\$263,423,750	\$402,171,769
Contributions	864,633	1,902,825
Roll-ins	432,269	248,193
Distributions	(1,817,301)	(1,984,163)
Adjustments	(1,324)	(1,324)
Plan to Plan Transfers	0	0
Investment Earnings	8,165,337	13,879,973
Service Fees	(30)	(842)
Closing Balance	271,067,334	416,216,430
Change	\$7,643,584	\$14,044,661

A subtotal for the T. Rowe Price Life Strategy Options has been added across all columns of the BART Fund Information report as requested by a Committee member. The record keeper also noted that the percentage of plan assets in the Life Strategy Options Target Retirement funds 2020 and later has increased from the prior month in both the 457 and 401(a) plans.

The Committee discussed the balances in the Administrative accounts for both the Deferred Compensation and the Money Purchase Pension plans. The Record Keeper reported that a procedure was developed in 2005 to set the approximate minimum balance for these accounts at \$40,000. In order to keep these balances in check, fee holidays for both plans are in place. The balance in the Deferred Compensation plan is higher than desired primarily due to the \$171,000 gain in November 2007. The Committee discussed options to reduce the balance for plan expenses closer to the target amount.

Result: The Committee directed staff to review the inflow and outflow of money in the administrative accounts over the next couple of months to determine the rate of change in the balance.

- b) Research on Airtime Purchases from the 401(a) Money Purchase Pension Plan & 457 Deferred Compensation Plan

The Record Keeper reported that the reason the total was low for March 2008 was that in that month only one person used Money Purchase Pension plan funds to purchase Airtime. In April 2008 **seven** people purchased Airtime using transfers from their BART Investment plans. The total Airtime transfers for April 2008 was \$343,143 from the Money Purchase Pension plan and \$146,735 from the Deferred Compensation plan.

A Committee member noted that the Stable Value contribution share had dropped 3.25% from March, 2008. The Committee member asked the Investment Analyst to alert Dwight Asset Management to this significant reduction in contributions.

c) Fund Option Change – July 18, 2008

A draft letter to participants regarding the July 18, 2008 fund option change was reviewed and approved by the Committee. It was approved by ICMA-RC's compliance department and will be sent to participants in mid-June. The Investment Plans Committee logo has been added to the letter and the Fund sheet has been updated to reflect the fund option change. A Committee member commented that the letter be identified as coming from the Investment Plans Committee rather than from BART.

AGENDA ITEM 6 – Discussion and Action Concerning

a) Investment Analyst Monthly Report

A performance flash report through April was presented. Equity markets in April produced a very nice rebound from the first quarter, gaining back roughly ½ of what was lost over the first 3 months. All managers exceeded their respective benchmarks for the month with the exceptions of the BGI Active Stock Fund (soon to be terminated), the RCM Large Cap Growth Fund, and the Real Estate Securities Fund. In addition, each underperforming manager only missed their benchmark by 20 basis points or less. The Plans' Fixed Income Fund (Dodge and Cox) and Balanced Option outperformed their respective indices by a wide margin in April and are more in line with their benchmarks year-to-date through April.

b) Fund Manager Review – T. Rowe Price

In advance of the T. Rowe Price (TRP) presentation by David Orlando, Jake O'Shaughnessy of R.V. Kuhns provided a more in-depth review of the TRP Balanced Fund and the recently adopted TRP Target Retirement Date suite of products. The funds managed by TRP for the Plans have performed well against their peers and against their benchmarks as stated in the Plans' Investment Policy.

AGENDA ITEM 7 – Discussion and Action Concerning

Fund Manager Update: T. Rowe Price Balanced Fund & Target Retirement Date Funds

Mr. David Orlando, regional relationship manager at T. Rowe Price, provided the Committee with an update on the Balanced fund and Target Retirement Date Funds.

Balanced Fund:

The Balanced Fund is currently running at about 20% to International Equities, which is an all time high for this product. This fund also has a larger than benchmark exposure to high yield fixed income. Mr. Orlando stated that while this is likely to increase the short term volatility of the Balanced Fund relative to its peers, over the long-term T. Rowe Price believes that this will add value to investors. Mr. Orlando stated that T. Rowe Price was largely able to avoid significant impact from the credit crisis due to a firm-wide pull back from structured products during 2006.

The balanced fund continues to perform in line with benchmark expectations. Although the one year number is slightly below both the passive benchmark and the Lipper Index, the three, five and ten year numbers exceed both benchmarks. The fund continues to be slightly overweighted toward equities at 65% of the portfolio.

Target Retirement Funds:

The Retirement Date Funds (TRD) did not meet their benchmarks for the one year period mainly due to the wide performance gap between High Yield Bonds and High Quality Bonds which is not reflected in the benchmark Lehman Aggregate Index. As high yield was punished substantially during Q1, the bounce back in this sector drove the TRD Funds outperformance in April. Also, the TRD Funds are in the process of incorporating an allocation to emerging markets equal to 15% of the total International Equity exposure within each respective fund.

There will be two changes to the benchmarks for each TRD fund effective May 31, 2008. The Wilshire 5000 Index will be replaced by the Russell 3000 Index as the benchmark for domestic equities. The MSCI EAFE Index will be replaced by the MSCI ACW x-US as the benchmark for non-US equities.

AGENDA ITEM 8 – Discussion and Action Concerning

- a) Legal Updates – Legal counsel reported that legal updates would be forthcoming
- b) IRS Tracking Report – Legal counsel reported that the IRS tracking report would be forthcoming
- c) Plan Amendments and Restatement
Legal counsel provided a booklet composed of proposed amendments 7-10 to the Deferred Compensation plan (previously reviewed by the Committee), proposed amendment 11 to the Deferred Compensation plan (not previously reviewed by the Committee), a marked-up version of a 2008 restatement of the Deferred Compensation plan, a clean version of the 2008 restatement, amendment 1 to the money purchase pension plan

(previously reviewed by the Committee), and a proposed executive decision document. Legal counsel discussed these various items, focusing upon amendment 11 to the Deferred Compensation plan.

Result: It was moved, seconded, and carried to adopt amendment 11 to the Deferred Compensation plan as the Committee's recommendation to the General Manager.

It was further agreed that each Committee member would review the documents provided by legal counsel to determine that the proposed 2008 restatement of the Deferred Compensation plan is accurate.

- d) Opinion on Administrative Fee Allocation - Legal counsel is completing his opinion on this topic.
- e) Opinion on Public Records Act - Legal counsel reported that a former designated beneficiary is requesting the most recent beneficiary designation form with respect to a deceased participant. Legal counsel indicated that he would be responding to the requester and would be denying the request. The Committee instructed legal counsel to coordinate with the District's general counsel about this proposed response.

Legal counsel notified the Committee that named partner Richard Johnson will be attending the June 25, 2008 meeting in place of Russ Richeda.

AGENDA ITEM 9 – Discussion and Action Concerning

- a) Strategic Plan for the Committee for 2008 – Subcommittee Reports:
- b) Policy Updates
Policy subcommittee chair Howard Jones expressed the intention to create a policy handbook for Committee members. Examples include travel reimbursement, press communications, and vendor contracts.
- c) Participant Outreach
Participant Outreach subcommittee co-chairs Rube Warren and Carolyn Pope-Chappell will present a concept proposal at the June 25, 2008 Investment Plans Committee meeting. BART decided against participating in the ICMA-RC Saver's Initiative (as described in the March 26, 2008 meeting minutes) because BART was not willing to allow ICMA-RC's outside consultant to contact participants by phone without prior permission. The Committee approved a trial outreach effort to publicize the Investment Plans Committee website by distributing pens with the website address to employees and other participants. Website usage is being monitored to see if the trial is effective.
- d) CalPERS Communication & Media Policy
This item was deferred to the June 25, 2008 Investment Plans Committee meeting.

AGENDA ITEM 10 – Discussion and Action Concerning

- a) Monthly Budget Review and Check Registers – April
Staff presented the monthly budget review and check registers for April

2008. Year to date expenses are under budget.

- b) Cash Flow Fund Manager Reimbursements & Earnings in 2007
Staff prepared a spreadsheet listing reimbursements from Rainier, T.Rowe Price and Dodge & Cox for 2007, totaling \$345,753. The Record Keeper reported that not all of the reimbursements have been reflected for 2007. The Investment Analyst and the Record Keeper will request information from the fund managers about reimbursements not reflected on the spreadsheet and will report to the Committee at the next meeting. Once the Committee interprets the information the Committee will write a procedure to monitor and verify fund reimbursements. Staff will present proposals at the July 23, 2008 meeting to draw the balance for the plan expenses account closer to the target amount.
- c) 2005/2006 Audit – Management Response
The Committee was pleased with the level of detail and quality of work of Brown Armstrong in preparing the audit reports. Staff presented a spreadsheet of the findings and reportable conditions in the 2005/2006 audit reports. The narrative of the management response will be created from the spreadsheet. Improvements to the Benefits filing system and procedures were discussed. The Committee discussed funding staffing for a review of Investment Plans documentation in all participants files and directed staff to prepare cost estimates for such a review. The Committee will discuss the audit reports and final management response at the June 25, 2008 Investment Plans Committee meeting.
- d) Status of 2007 Audit
Brown Armstrong submitted an offer to conduct the 2007 Investment Plans audit. The Committee discussed the proposal and directed legal counsel to negotiate on behalf of the Committee.
- e) BART IPC Website Update
Committee members were asked to review the BART IPC website. Some of the findings were:
- The Investment Objective and Policy guidelines do not reflect the Target Retirement Date funds
 - The chart explaining Service Credit purchase options does not include the use of Deferred Compensation plan funds
 - The Frequently Asked Questions needs to include a question about the VantageBroker option
- f) NAGDCA Conference Registration
The Committee asked staff to get approval to use the BART Go-Card (credit card) to make hotel reservations. Committee members will make their own airfare reservations.
- g) Workshops/Seminar
Other workshops and seminars will be discussed at the June 25, 2008 meeting.

AGENDA ITEM 11 – Closed Session Pursuant to Government Code Section 54957.10: Hardship Application(s)

The meeting was not adjourned to enter into closed session because there were no hardship applications to consider.

AGENDA ITEM 12 – Adjournment

The meeting was adjourned at 2:45 p.m.