

## BART INVESTMENT PLANS COMMITTEE

### MINUTES OF THE COMMITTEE'S SEPTEMBER 18, 2008 MEETING

#### 1. WELCOME AND INTRODUCTION

The Committee convened a special meeting at 9:30 a.m. EST (6:30 a.m. PST) at the Washington, D.C., offices of ICMA-RC on September 18, 2008 to review recent record-keeper issues.

#### **Committee Members or Alternate Members Present:**

Elaine M. Kurtz, BART alt.  
Howard D. Jones, SEIU  
Bob Fernandez, SEIU alt.  
Carolyn Pope-Chappell, ATU

Rube Warren, AFSCME  
Jean Hamilton, AFSCME alt.  
Kory Frost, BPOA  
Michael Pon, BPOA alt.

#### **ICMA-RC Representatives Present:**

Vernetta Aziz, Senior Manager, Client Services  
John Bennett, Vice President, Controller  
Renee Briggs, Senior Director, Client Services  
Ann-Marie Carlson, Director, Strategic Relations  
Janna Dandridge, Relationship Management, Client Services  
Kris Heurich, Senior Vice President, Client Services  
Jerry Maus, Senior Vice President, Finance, and Chief Financial Officer  
Joan McCallen, President and Chief Executive Officer  
Angela Montez, Managing Vice President and Deputy General Counsel  
Marie Panciocco, National Vice President, Strategic Relations  
Vernetta Trott-Barnes, Relationship Management, Client Services  
David Tanguay, Vice President, Client Services  
Rich Whitty, Director, Finance, Assistant Controller

#### **Other Attendees:**

Russell Richeda, Saltzman & Johnson  
Marcia Beard, R.V. Kuhns  
Peter Horikoshi, BART Staff

#### **Committee Members or Alternate Members Absent:**

Teresa Murphy, BART

Hubert La Violette, ATU alt.

## **2. ICMA-RC'S COMMITMENT TO PROVIDING A HIGH LEVEL OF SERVICES TO THE INVESTMENT PLANS COMMITTEE**

Kris Heurich, ICMA-RC's senior vice-president for client services, introduced the meeting by acknowledging recent administrative errors experienced by BART's plans and expressing ICMA-RC's commitment to rectifying these errors and to providing a high level of services to the Committee and to plan participants. Members of the Committee expressed their appreciation for ICMA-RC's commitment to service as reflected in the remedial actions ICMA-RC has taken, including but not limited to the administrative manual as reported in item 7 of these minutes.

Ms. Heurich went on to provide a brief overview of ICMA-RC's business, including its growth from 60 employees in 1986 to 750 employees in 2008. Heurich stated that ICMA-RC currently provided services to 8300 defined contribution plans covering 4700 public employers and 850,000 participants. She described the services provided to the State of Washington plan, a \$7 billion plan with 170,000 participants. Heurich indicated that ICMA-RC provided services on a bundled (i.e., record keeping plus investments plus education services) or semi-bundled (i.e., BART) or unbundled basis only (i.e., State of Washington plan where it provides record keeper services only). She said that ICMA-RC services other transit district defined contribution plans, including Los Angeles MTA, Spokane, Utah, and the Chicago Transit Authority.

## **3. ADMINISTRATIVE FEE PROCESS**

**ISSUE:** ICMA-RC in November 2007, erroneously deducted moneys from each participant's account in the deferred compensation plan. ICMA-RC identified the error within three days and repurchased the shares sold, resulting in a plan-wide gain.

**RESULT:** David Tanguay, ICMA-RC's vice-president for account processing services, began by describing the administrative fee process resulted in the error in fee processing. He noted that the primary cause was a need for further training specific to this transaction for the primary associate assigned to this transaction. Tanguay also stated that ICMA-RC had identified a need for special emphasis on revision of and training in the transaction checklist and the transaction edit report. He indicated that ICMA-RC had implemented improvements in each of these areas. Tanguay indicated that this was the first time ICMA-RC had experienced this type of problem.

## **4. ADMINISTRATIVE FEE FUND REIMBURSEMENT TRACKING PROCESS**

**ISSUE:** ICMA-RC and the Committee had insufficiently allocated responsibilities between them with respect to monitoring receipt of administrative allowances from reimbursing mutual funds.

**RESULT:** Jerry Maus, Senior Vice President, Finance, and Chief Financial Officer, John Bennett (RC's controller), and Rich Whitty (RC's assistant controller) reviewed the issues concerning the allocation by ICMA-RC of the administrative allowances from the mutual fund companies due to the Committee. They also described ICMA-RC's general process for allocating administrative allowances from mutual fund companies. Maus indicated that ICMA-RC had retained an outside consultant to assist it in updating its processes and checklists in this area. The initial error arose from the addition of new employees in January 2007 who were not familiar with

the process. ICMA-RC has completed a reconciliation to ensure that all administrative allowances due the Committee, including interest on those allowances, had in fact been credited to the Committee's account.

## **5. PUBLIC COMMENT**

The public at 11:30 a.m. EST (8:30 a.m. PST) was provided the opportunity to address the Committee by phone. There were not any public comments.

## **6. VANTAGETRUST MODEL PORTFOLIO LONG TERM GROWTH FUND**

**ISSUE:** ICMA-RC had included an error in an allocation figure included in a table in the current prospectus of VantagePoint's long term growth fund.

**RESULT:** Angela Montez, ICMA-RC's general counsel, described the prospectus error in the long term growth fund in which an incorrect allocation figure had been included in a table in the prospectus. The narrative in the prospectus, however, set forth the correct allocation figure. ICMA-RC determined that it was appropriate to give participants the benefit of the figure in the table, resulting in an additional slight credit to participants. This issue was not related to the investment process of the fund.

## **7. PLAN ADMINISTRATIVE PROCEDURES MANUAL**

**ISSUE:** Committee staff had expressed concerns to the Committee that some administrative procedures were insufficiently clear, and the Committee had indicated its desire to have the procedures clarified. .

**RESULT** ICMA-RC had prior to the meeting committed itself to preparing a detailed operations manual that would set forth the administrative procedures applicable to BART to enhance coordination with Committee staff. Renee Briggs, Vernetta Aziz, and Vernetta Trott-Barnes at the meeting presented the administrative procedures manual prepared by ICMA-RC to describe the administrative procedures applicable to BART.

The administrative procedures manual is a work in progress. It is presently 26 pages, not including attachments. The manual sets forth in step-by-step detail on a number of specific issues, including enrollments, contributions, withdrawals, qualified domestic relations orders, vendor payments, auditor requests, website maintenance, escheatment, fund line-up changes, etc. The manual allocates tasks between ICMA-RC staff and Committee staff. The manual reflects significant progress toward the goal of coordination and mutual understanding of each party's tasks, but additional work remains to be done. ICMA-RC staff and Committee staff will continue to improve the manual. Periodic updates on the manual will be provided to the Committee. The Committee thanked ICMA-RC for the work reflected in the manual.

## **8. TOUR OF ICMA-RC FACILITIES**

ICMA-RC representatives conducted Committee members on a tour of the ICMA-RC facilities and provided explanations of the various record keeping functions performed by ICMA-RC.

**9. ADJOURNMENT**

The meeting was adjourned at 3:30 p.m. EST (12:30 p.m. PST).