

Investment Plans Committee

Regular Meeting
Minutes
September 24, 2008

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, September 24, 2008 and convened at 8:37 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
Robert Fernandez,	SEIU alt.
Carolyn Pope-Chappell,	ATU
Rube Warren,	AFSCME
Jean Hamilton,	AFSCME alt.
Kory Frost,	BPOA
Michael Pon,	BPOA alt.

Committee Members or Alternate Members Absent:

Teresa Murphy,	BART
Hubert LaViolette,	ATU alt.

Other Attendees:

Jackie Finley,	Westwood
Ann-Marie Carlson,	ICMA-RC
Russ Richeda,	Saltzman & Johnson
Marcia Beard,	R.V. Kuhns
Peter Horikoshi,	BART
Arne Stokstad,	BART
Carolina Lopez,	BART

AGENDA ITEM 1 - Convene and Sign-in

The meeting convened at 8:37 a.m. and was chaired by Elaine Kurtz.

AGENDA ITEM 2 – Public Comment

There were no public comments at the September 24, 2008 BART Investment Plans Committee's public meeting.

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

Jean Hamilton asked to be excused from the meeting at 9:30 a.m. and 12:30 p.m. to attend other meetings.

AGENDA ITEM 4 - Discussion and Action Concerning

- a) Minutes – August 27, 2008

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

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

Page 5 – Agenda Item 5g: Change – “Legal counsel presented a memorandum in which he concluded that, under the unique facts and circumstances outlined in the memorandum, e.g., magnitude of fiduciary issues, necessity of all Committee members to visit ICMA-RC offices, measures to provide access, etc., it was permissible to hold a noticed meeting, which included an opportunity for public comment, at ICMA-RC's offices.”

AGENDA ITEM 5 – Discussion and Action Concerning

- 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 August 31, 2008.

August 2008	401(a) MPP	457 Deferred Comp
Opening Balance	\$258,197,964	\$399,284,221
Contributions	\$ 275,379	\$2,795,313
Roll-ins	\$ 25,558	\$0
Distributions	(\$1,748,754)	(\$2,414,095)
Adjustments	\$ 6,681	\$6,681
Plan to Plan Transfers	\$ 0	\$0
Investment Earnings	\$1,184,055	\$1,832,476
Service Fees	(\$15)	(\$335)
Closing Balance	\$257,940,867	\$401,504,261
Change	(\$257,096)	\$2,220,040

It was noted that Adjustment amounts in the table above represent, in part, Fund Administrative Allowances received from Rainier, T. Rowe Price, and Dodge & Cox, ICMA-RC Invoice for Record Keeping fees covering July 2008 and Client Service Fees covering July 2008. It was noted that the 2Q08 quarterly Fund Administrative Allowance payment from Westwood has not been received as of the date of this report. The Westwood representative attending this meeting indicated that it has been paid, but she was not sure of the date of payment.

The Committee requested that going forward a grid reflecting the various fund reimbursement payments received/pending with the date received be developed by ICMA-RC and attached to the monthly Transaction Summary. The purpose of this would be so the Committee could review each month the payment history of the various fund reimbursements.

The Record Keeper reported that there were 5 Airtime purchases from the 401(a) plan for a total amount of \$225,713 and 7 Airtime purchases from the 457 plan for a total amount of \$257,892.

The Record Keeper distributed an informational handout representing ICMA-RC Investor information on the recent market volatility that is available on the ICMA-RC public website (www.icmarc.org). This information will be linked in Account Access within a few days. The Committee requested that this information be included in the 3Q08 Participant Statement mailings.

Information was provided concerning the opportunity to put a Plan Sponsor message on 3Q08 statements and direction was given by the Committee for staff to work with ICMA-RC in the development of a message directing plan participants to go to www.bartipc.org for plan information.

Information was provided on an upcoming ICMA-RC Web Forum "Trends in Public Sector Retirement Plans" scheduled for October 16th and 21st.

Handouts with information on Save for Retirement Week (October 19th – 25th) were distributed. This information included planning tools and types of resources available to promote the importance of retirement savings.

AGENDA ITEM 6 – Discussion and Action Concerning

Investment Manager Review – Westwood

In advance of the Westwood presentation by Jackie Finley, RVK provided a more in-depth review of the Westwood Small Mid Cap Fund. The Fund has performed extremely well against their peers and against their benchmark as stated in the Plans' Investment Policy. The Fund was overweight Oil & Gas and Industrials and under weight Financials which served them very well through June 2008. The Fund's weighted average market cap is above that of their benchmark, which also helped performance year-to-date.

The ICMA-RC report indicated that an administrative fee reimbursement was due from Westwood. Jackie was instructed to look in to the reimbursement and report back to the Committee.

Investment Performance Update – August 2008

A performance flash report through August was presented. Domestic equity markets in August produced a nice rebound with small cap stocks outperforming large cap stocks and value outperforming growth. Non-US markets did not fare as well with the EAFE Index posting negative returns for the month. Rainier Small Mid Cap, Nationwide Micro Cap, Templeton Foreign Equity and stable value were the only funds that outperformed their respective benchmark in the month of August.

AGENDA ITEM 7 – Discussion and Action Concerning

Fund Manager Update: Westwood

Ms. Jackie Finley provided the Committee with an update on the WHG SMid Cap Fund.

The Fund was added to the Plans' line-up in September 2007. The Fund history started in January of 2006 so there is not sufficient performance history to compare to policy guidelines. With that said, for the quarter ended June 30, 2008, the Fund:

- Exceeded the Russell 2500 Value Index over the one-year period by 1,377 basis points (-6.14% vs. -19.91%)
- Ranking above median vs. its small cap value peers for the one-year period (2nd)
- Since the Fund's inception (1/1/2006) it has outperformed the Russell 2500 Value Index by 10.42% (11.26 vs. 0.84%)
- Its expense ratio has not increased from previous quarters (maintained at 1.25%)

Jackie reviewed the strategy using performance and attribution of the strategy as of June 30, 2008. The Fund's overweight to Oil & Gas and Industrials and underweight to Financials proved to be strong contributors to out performance. However, September 2008 proved to be a difficult month for Westwood's strategy with many of the decisions that helped through the second quarter providing a head wind for the month.

Jackie provided a review of three scenarios for the capital markets and assigned a probability for each: Waiting for A Recovery (65%), Gloom and Doom (20%), or Brief Pause (15%).

Jackie stated that the Team at Westwood is stable and there have been not significant changes to the process or philosophy.

AGENDA ITEM 8 – Discussion and Action Concerning

- a) Legal Updates - Legal counsel presented an email of hardship scenarios that had been sent to ICMA-RC's general counsel with a particular focus on formal or informal IRS guidance on hardships.
- b) IRS Tracking Report. Legal counsel presented an IRS tracking report and indicated that there had not been any relevant IRS developments since the last tracking report.

AGENDA ITEM 9 – Discussion and Action Concerning

- a) Follow-up ICMA-RC Site Visit – The Committee was impressed with the response and the manner that the meeting was conducted. ICMA-RC developed a workbook on procedures covering all of the administrative duties. This workbook outlines the responsibilities of ICMA-RC and BART staff as well as the procedures that should be followed. The workbook was developed so that BART staff and the Committee will have a better understanding of how administrative processes are intended to work and to ensure all the procedures are in line with the auditor's recommendations. A draft of this workbook was presented to the Committee at the meeting. BART staff will continue to work on the workbook with ICMA-RC staff and each chapter will be reviewed by the Committee at monthly meetings.
- b) Follow-up NAGDCA Conference – The conference took place at the time when the economy and the stock market started experiencing extreme volatility. The Committee noted many speakers referencing the impact that the troubled economy would have on plan participants. One particular session focused on communicating with participants during troubling economic times. The Committee expressed its desire to provide educational information to participants about alternatives to consider when faced with extremely volatile stock market conditions.

AGENDA ITEM 10 – Discussion and Action Concerning

- a) Monthly Budget Review and Vendor Reconciliation Report (August): Staff presented the monthly budget review and vendor reconciliation report for August 2008. The Committee has spent about half of the annual budgeted amount. The largest expenditure is for record keeping services.
- b) Workshops/Seminar: A Committee member asked staff to add staff education as a line item on the budget for 2009. The Committee believes that staff education is important. There is a Pensions and Investments conference being held in San Francisco in October. The Committee is allowed to send two representatives to this conference at no charge. The

Committee thought that this was a good opportunity for staff education at minimal cost. The Committee approved the following motion.

Motion: To send up to three staff members to the Pensions and Investments West Coast Defined Contribution conference.

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

The Committee adjourned the meeting at 11:45 a.m. to enter into closed session to consider three Hardship Withdrawal Applications of which two were approved and one was denied. The Committee reconvened the public meeting at 12:25 p.m.

AGENDA ITEM 12 – Adjournment

The Committee adjourned the meeting at 12:25 p.m.