

Investment Plans Committee

Regular Meeting
Minutes
November 25, 2008

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, November 25, 2008 and convened at 8:41 a.m. and adjourned at 1:55 p.m. at 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
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Hubert LaViolette,	ATU alt.
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Other Attendees:

Jerry Ehlinger,	Scudder - RREEF
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 8:41 a.m. and was chaired by Elaine Kurtz.

AGENDA ITEM 2 – Public Comment

There were no public comments at the November 19, 2008 BART Investment Plans Committee's public meeting.

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

There were no check-in items by committee members.

AGENDA ITEM 4 - Discussion and Action Concerning

a) Minutes – September 18, 2008

The Committee reviewed the draft minutes of the Committee's September 18, 2008 meeting at the Washington, D.C. offices of ICMA-RC and directed that they be revised and resubmitted. The Committee noted that the draft did not indicate ICMA-RC's commitment to service improvements and did not sufficiently explain each issue that had been of concern to the Committee and the action taken by ICMA-RC with respect to each issue. The Committee directed that revised minutes be submitted at the Committee's December 17, 2008 meeting.

b) Minutes – October 22, 2008

The Committee reviewed the October 22, 2008 meeting minutes and approved the following motion:

Motion: To approve the October 22, 2008 meeting minutes with the following modifications:

Page 1 – Agenda Item 2: Change – “A plan participant along with his financial advisor Jeff Bratzler from Benefits Communications Network, appeared before the Investment Plans Committee at the Committee's October 22, 2008 meeting. The participant explained stated that he believed that he had not been notified of the mapping in February 2008 of his investment in the VantagePoint Savings Oriented Model Portfolio to the T. Rowe Price Retirement 2020 target retirement age fund, resulting in a loss that he estimated to amount to \$35,000. The participant did acknowledge that he received quarterly statements and did not notice the change of funds until October 2008.”

Page 2 – Agenda Item 5a: Change – “Adjustments ~~\$2,523~~ (\$2,523)”

Page 3 – Agenda Item 5a: Change – “~~A BART~~ The Fund Reimbursement Reconciliation Report was furnished to the IPC to provide payment history of the various fund reimbursements. The reimbursements were received as anticipated.”

Page 4 – Agenda Item 5d: Change – “The Record Keeper addressed The VantageBroker Login Process in response to a member's ~~difficulty~~ dissatisfaction in accessing The VantageBroker account online. The main issues raised were related to what the member believed were excessive security measures ICMA-RC and UVEST have added to reduce the risk of unlawful electronic access to a participant's financial information online. Information was furnished to the Investment Plans Committee as to steps participants can take that will streamline the login process while also maintaining the added security protection, such as shortcuts to navigate through the website.”

Page 4 – Agenda Item 6: Change – “**Investment Policy Guidelines:** Based on the fund track record not the plans' experience record.”

The Nationwide Micro Cap fund ~~did not exceed~~ fell below the Investment Policy Guideline for the Domestic Micro Cap fund category because it returned an annual average of -9.16% vs. -3.11% for the Russell Micro Cap Index over a 3-year period.

The Nationwide Micro Cap fund ~~did not exceed~~ fell below the Investment Policy Guideline of being ranked in the 50th percentile or higher in the US Equity Small-Cap Growth Fund Universe by ranking in the 98th percentile over a 3-year period.

The Nationwide Micro Cap fund ~~did not exceed~~ fell below the Investment Policy Guideline for the Domestic Micro Cap fund category because it returned an annual average of 3.70% vs. 4.09% for the Russell Micro Cap Index over a 5-year period.

The Nationwide Micro Cap fund ~~did not exceed~~ fell below the Investment Policy Guideline of being ranked in the 50th percentile or higher in the US Equity Small-Cap Growth Funds Universe by ranking in the 71st percentile over a 5-year period.”

Page 6 – Agenda Item 7: Change – “Management ~~B~~bought ~~F~~firm from Nationwide. The Fund will continue to be called Nationwide, but that could change in the future.”

Page 6 – Agenda Item 7: Change – “Expected earnings growth rate of portfolio +27% with P/E just 10x. ~~Have not seen this low since 2002.~~ PE’s have not been this low since 2002.”

Page 7 – Agenda Item 8: Change – “Legal counsel presented a memo requesting Committee authorization for Saltzman & Johnson to apply to the IRS for an updated determination letter for the Money Purchase Pension Plan, confirming that the plan continued to meet the Internal Revenue Code requirements. The deadline for application is January 31, 2009.”

Page 9 – Agenda Item 10: Change – “Staff presented the monthly budget review and vendor reconciliation report for September 2008, including a year-to-date view of income and expenses of the Administrative accounts. Staff reported that expenses were below budget for the year. The reports were received as anticipated.”

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 October 31, 2008

September 2008	401(a) MPP	457 Deferred Comp
Opening Balance	\$242,219,087	\$375,606,623
Contributions	\$98,156	\$1,707,729
Roll-ins	\$213,550	\$54,892
Distributions	(\$1,770,229)	(\$2,640,503)
Adjustments	(\$16,471)	(\$16,471)
Plan to Plan Transfers	\$0	\$0
Earnings	(\$22,790,882)	(\$40,454,200)
Service Fees	(\$105)	(\$168)
Closing Balance	\$217,953,106	\$334,257,902
Change	(\$24,265,980)	(\$41,348,721)

It was noted that Adjustment amounts in the above table represent, in part, Fund Administrative Allowances received from Rainier and T. Rowe Price, ICMA-RC Invoice for Record Keeping fee and Client Service Fee. A Fund Reimbursement Reconciliation Report was furnished to the Investment Plans Committee to provide payment history of the various fund reimbursements and reflect that all reimbursements were received as anticipated.

Also reviewed by the Record Keeper was the ICMA-RC Fund Information report covering plan asset balances as well as contributions for the period of 10/1/08 – 10/31/08.

The Record Keeper reported that there were 3 Airtime purchases from the 401(a) plan for a total amount of \$70,614 and 5 Airtime purchases from the 457 plan for a total amount of \$142,977.

- b) DVD on Retirement Plan Committees – The Record Keeper presented a DVD, “Overseeing Defined Contribution Plans for Public Sector Employees”, that contained basic information and an overview of issues that may be faced by members of public employee defined contribution retirement plan committees. The DVD was viewed over lunch.
- c) Vantage Broker Login Process - The Record Keeper requested that this Agenda item be deferred to the December 17, 2008 committee meeting.

AGENDA ITEM 6 – Discussion and Action Concerning

- a) Investment Performance Report: October 2008

The investment analyst reviewed the Summary of Current Market Environment as of October 31, 2008, which revealed that there was no place to hide in the month of October. All asset classes/indexes included

in the presentation (stocks, bonds, commodities, etc.) posted negative returns with the exception of Treasury securities. October 2008 proved to be the worst month for many of the indexes in the last twenty years including TIPS, Long Credit, High Yield, S&P 500, Convertibles, EAFE, Russell 2000, and Commodities.

The October 2008 Flash report confirmed the unprecedented market environment in October and year-to-date. Non-US equities underperformed domestic equities and small cap equities underperformed large cap equities. Most fixed income markets were down in the month as well, due to the continued flight to safety. Eight of the thirteen BART Tier 2: Core Investment Option funds underperformed their respective benchmarks in October, which is not unusual in a market that is driven by technical factors, not fundamentals.

b) Investment Manager Review – Scudder-RREEF

In advance of the presentation by RREEF, the DWS RREEF Real Estate Securities Fund was reviewed in more detail. Although the Fund underperformed the FTSE NAREIT Index in October 2008 (-31.26% versus -30.54%), the longer-term performance was well-above the benchmark. The expense ratio for the Fund is also competitive at 56 basis points compared to the Morningstar category average of 143 basis points. Compared to their real estate sector peers, the DWS RREEF Real Estate Securities Fund ranked in the top third for the quarter, YTD and one year period ended September 30, 2008. The Fund ranked in the top decile for the three-year period and the top quartile for the five-year period. The Fund currently holds 30 securities which is on the low side of its historical holdings. The Fund's performance is most highly correlated to small and mid cap value stocks.

Investment Policy Guidelines:

- The DWS RREEF Real Estate Securities fund exceeded the Investment Policy Guideline for the Real Estate fund category because it returned an annual average of 6.42% vs. 3.16% for the FTSE NAREIT Composite Index over a 3-year period.
- The DWS RREEF Real Estate Securities fund exceeded the Investment Policy Guideline for the Real Estate fund category because it returned an annual average of 13.80% vs. 11.07% for the FTSE NAREIT Composite Index over a 5-year period.
- The DWS RREEF Real Estate Securities fund met the Investment Policy Guideline of not significantly increasing the expense ratio from the previous quarter by maintaining the expense ratio of 0.56%.

AGENDA ITEM 7 – Discussion and Action Concerning

Fund Manager Update: DWS RREEF Real Estate Securities

Mr. Jerry Ehlinger of RREEF provided the Committee with an update on the DWS RREEF Real Estate Securities fund.

Firm Update

- John Vojticek is Head of Americas - Real Estate Securities. John is supported by Jerry Ehlinger, Managing Director, Asad Kazim, Director and 20 other investment professionals.
- RREEF's Global Resources - \$83.8 billion in real estate assets under management in 18 offices, including \$11.9 billion in real estate securities.

U.S. REITs – Looking Forward

- Office Sector – The recent credit market turmoil continues to slow the economy and office market rent growth.
- Apartment Sector – Declining home ownership rates have helped buy revenue growth in the face of declining employment and low cost financing from the GSEs have cushioned asset price declines.
- Retail Sector – Declining consumer demand is slowing retailer expansions.
- Regional Mall Sector – Retailers are curtailing expansion plans or closing stores.
- Industrial Sector – Demand is slowing in line with the economy.

U.S. REITS – Outlook, in Summary

- As expected the housing market recession and tighter credit markets have slowed the U.S. economy. These factors coupled with high oil prices will hamper GDP growth for a more prolonged period than expected.
- The virtual shutdown of the credit markets will result in a dramatic decline in new supply for the foreseeable future.
- Recent commercial mortgage-backed securities (CMBS) widening and higher scrutiny by debt investors has resulted in high equity levels required to close transactions and recent bank failures have removed capacity from the system.
- Moderate growth of 4% to 6% in 2008 will slow further in 2009 with wide disparities from company to company.

AGENDA ITEM 8 – Discussion and Action Concerning

- a) Rollover Distributions by Non-Spousal Beneficiaries – Amendment

Legal counsel had, at a prior meeting, submitted a memorandum concerning the possible amendment of each plan to provide for rollover distributions by non-spousal beneficiaries. Legal counsel reported that he had not completed the amendments and would bring this back to a future committee meeting.

b) Claim by Participant

Legal counsel presented a draft report on the claim by participant John Davenport who attended the October 22, 2008 committee meeting. The Committee reviewed the report and directed that legal counsel make a number of revisions. The Committee concluded that the overall reasoning of the report and its conclusions were appropriate and accurately set forth the Committee's position on the claim. The Committee directed legal counsel to send out a revised draft via email to the Committee and, in the event there was not a request from a Committee member to agendaize the report, then legal counsel was directed to submit the report together with the associated collection of documents to Mr. Davenport.

Motion: The Committee approved the draft letter to the participant subject to the revisions that the Committee members verbally offered during the meeting. Legal counsel will provide a draft copy for committee members to review and give a 72 hour window to provide a response to legal counsel. If no responses are offered from the Committee, legal counsel has approval to send the letter to the participant.

AGENDA ITEM 9 – Discussion and Action Concerning

ICMA-RC Record Keeper Ann-Marie Carlson left the meeting at 12:00 p.m.

- a) Hardship Application Review – Staff presented a copy of ICMA-RC's hardship application to see if the Committee would like to have it customized for the Investment Plans Committee. The Committee directed staff and legal counsel to review the application and draft any changes that should be made prior to replacing the existing application and bring it back to a future meeting.
- b) Deferred Compensation Voluntary Automatic Escalation – Since investment plans in California cannot institute mandatory enrollment and escalation programs, staff proposed a voluntary alternative that could be offered to participants. This program would allow an employee to select a percentage of pay to be deferred in the first year with an automatic escalation to a higher percentage in future years. The Committee directed staff to research specifics of such a plan and bring it back to a future meeting.

- c) Communication Strategy – Staff reported that there was no new information for this item.
- d) Follow up on Returned Mail – Staff reported that ICMA-RC can provide assistance in locating current addresses for those participants whose addresses are not on file with BART. Staff will provide details as to what fees are included and bring this back to the Committee at a future meeting.

AGENDA ITEM 10 – Discussion and Action Concerning

- a) Monthly Budget Review and Vendor Reconciliation Report (October): Staff presented the monthly budget review and vendor reconciliation report for October 2008, including a year-to-date view of income and expenses of the Administrative accounts. Staff reported that the Committee's expenses were under budget. The report was accepted as presented.
- b) ICMA-RC/BART Administrative Procedures Manual – Staff presented the most recent updates to the Administrative Procedures Manual. The Committee would like to review the updates in the manual and requested that this be put on the agenda for discussion for the January 2009 meeting.
- c) 2007 Audit – Staff notified the Committee that progress has been made in entering data into QuickBooks for 2007.
- d) Workshops/Seminar – Michael Pon & Kory Frost attended the Templeton Client Conference in November. Michael provided the Committee with an overview of the topics discussed at the conference.
- e) Pensions & Investments – Staff asked the Committee if they were interested in continuing the subscription to the Pensions & Investments news magazine. A committee member volunteered to review the magazine and bring the issues to the committee meetings.
- f) Meeting Schedules 2009 – Staff presented proposed meeting schedules for regular monthly meetings as well as regular meetings to consider hardship withdrawal requests.
- g) Fund Reimbursement – Staff presented fund reimbursement reports from the Dodge & Cox, T.Rowe Price and Ranier funds. These reimbursements are paid to the plans due to services that are provided by ICMA-RC and not by these funds. The investment plans pay ICMA-RC directly for these services, therefore, the four funds pay the reimbursements directly to the plans. These reimbursements are used to pay for administrative expenses for each of the plans and are largely responsible for the fee holidays to participants that are in effect for both

plans. Rainier and T.Rowe Price provide monthly reimbursements and Dodge & Cox and Westwood provide quarterly reimbursements.

- h) Contact Information – The Committee requested a listing of committee members, consultants, and staff to be used in case of disasters where the Committee needs to conduct an emergency meeting. Staff requested contact information from committee members and consultants and will distribute the information when the contact list is completed.

Committee Member Elaine Kurtz left the meeting at 1:30 p.m.

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

The Committee adjourned the meeting at 1:46 p.m. to enter into closed session to consider (2) Hardship Withdrawal Applications of which (1) was approved and (1) was denied. The Committee reconvened the public meeting at 1:55 p.m.

AGENDA ITEM 12 – Adjournment

The Committee adjourned the meeting at 1:55 p.m.