

## Investment Plans Committee

Regular Meeting  
Minutes  
August 26, 2009

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, August 26, 2009 and convened at 8:35 a.m. and adjourned at 1:05 p.m. at 300 Lakeside Drive, 20<sup>th</sup> Floor; Oakland, California, 94612.

### Committee Members or Alternate Members Present:

Elaine M. Kurtz,	BART alt.
Robert Fernandez,	SEIU alt.
Carolyn Pope-Chappell,	ATU
Hubert LaViolette,	ATU alt.
Rube Warren,	AFSCME
Kory Frost,	BPOA
Michael Pon,	BPOA alt.

### Committee Members or Alternate Members Absent:

Teresa Murphy,	BART
Howard D. Jones,	SEIU
Jean Hamilton,	AFSCME alt.

### Other Attendees:

Rose Roberts,	ICMA-RC (recordkeeper)
Russ Richeda,	Saltzman & Johnson (legal counsel)
Brandie Barrows,	Saltzman & Johnson (legal counsel)
Marcia Beard,	R.V. Kuhns (investment consultant)
Issa Brandt,	Allianz RCM
Ray Edelman,	Allianz RCM
Peter Horikoshi,	BART
Arne Stokstad,	BART
Carolina Lopez,	BART
Joni McCarty,	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 August 26, 2009 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 – July 22, 2009

The Committee reviewed the July 22, 2009 meeting minutes and approved the following motion:

**Motion:** To approve the July 22, 2009 meeting minutes with the following changes:

Page 3 – Agenda Item 5b: Change – “MSCI All Country World ex U.S. Index” in two places.

Page 5 – Agenda Item 6a: Change – “but the markets took off before they could completely by their implementation.”

Page 5 – Agenda Item 6a: Change – “They are also over weight in telecom.”

Page 7 – Agenda Item 8b: Change – “The Committee concluded that such distribution was not appropriate. ~~And directed legal counsel to prepare a proposed amendment to this effect.~~

Page 8 – Agenda Item 9a: Change BART’s Police Officer’s Association will ~~has~~ scheduled Bill Eagan of ICMA-RC...”

Page 8 – Agenda Item 10c: Change – However, ~~Peter~~ staff has not been able to dedicate...”

### **AGENDA ITEM 5 – Discussion and Action Concerning**

#### a) Investment Performance Report – July 2009

A Summary of the Current Market Environment for the July 2009 was briefly reviewed. All indexes for publically traded asset classes posted positive returns for the month of July and year-to-date. The S&P 500 Index gained 7.56% in the month. Large cap value stocks out performed large cap growth stocks. Non-US equities posted a positive return with the MSCI EAFE Index up 9.13% and the MSCI ACW ex-US Index up even more at 9.81% on the strength of the rebound in emerging markets.

The Plans' funds outperformed their respective benchmarks in the month,

with the exception of RCM, Westwood, DWS RREEF and Dwight stable value.

- Investment Manager Review – Allianz RCM

The investment consultant provided information on the Allianz RCM Large-Cap Growth Fund in anticipation of the presentation from Raphael Edelman and Issa Brandt of RCM. The RCM Fund experienced benchmark-like returns in 2008: losing 38.35% compared to the Russell 1000 Growth Index which lost 38.44%. The year-to-date return through July of 22.45% was well ahead of the R1000G which returned 19.46%.

The RCM Fund has been in existence since January 1, 1997. Since its inception, the RCM Fund has beaten the Russell 1000 Growth Index by 280 basis points.

#### **AGENDA ITEM 6 – Fund Manager Update: Allianz RCM**

Raphael Edelman, Director and Co-CIO and Issa Brandt, AVP attended. As of June 30, 2009, RCM employed over 260 investment professionals located in the Americas, Europe and Asia Pacific. RCM has gone through cost cutting by cutting back on travel, embracing video conferencing and stream lining their operations.

Raphael provided an update on the San Francisco team stating that Joanne Howard, senior portfolio manager, will likely move off this strategy and focus on RCM's private clients. Raphael, Scott Migliori, and Peter Goetz will remain as senior portfolio managers focused on the Large Cap Growth Fund. Peter Anderson the San Francisco CIO will retire at the end of 2009.

Raphael reviewed RCM's large cap growth philosophy stating that rigorous fundamental analysis of company and industry dynamics facilitates the identification of high quality companies with superior growth rates. And when combined with a disciplined valuation methodology, they believe their approach will generate consistent excess returns over time. Raphael confirmed the strategy has provided excess returns: the Fund returned 5.01% versus the benchmark return of 2.15% since inception through June 30, 2009.

RCM continues to embrace their integrated dual research platform with a dedicated research staff of 67 professionals with an average of 11 years of industry experience. RCM also employs their "grassroots research" focusing on original market research with investigative journalism using a proprietary network of industry contacts and independent reporters and investigators.

Raphael stated they believe there will be a modest recovery – not due to the consumer but because of the need to replenish inventories.

**AGENDA ITEM 7 – Discussion and Action Concerning**

a) July 2009 Financial Highlights

Rose Roberts of ICMA-RC provided the following transaction summary for the 401(a) Money Purchase Pension Plan and 457 Deferred Compensation Plan for the month ending July 31, 2009. The Recordkeeper highlighted the variances between overall average contributions and distributions for the time period of January - July 2009 compared to January - July 2008.

<b>Plan Activity</b>	<b>401 Money Purchase Plan</b>	<b>457 Deferred Compensation</b>
Opening Balance as of 07/01/2009	\$222,733,386.53	\$342,916,464.78
Contributions	\$221,693.77	\$2,608,912.33
Roll-ins	\$9,931.77	\$55,937.71
Distributions	(\$916,866.47)	(\$1,318,696.73)
Adjustments	\$4,016.35	(\$11,832.46)
Plan-to-Plan Transfers	\$0.00	\$0.00
Earnings	\$7,935,888.61	\$14,265,086.44
Service Fees (Rolled up from participant accounts)	(\$15,979.53)	(\$120.00)
<b>Closing Balance as of 07/31/2009</b>	<b>\$229,972,071.03</b>	<b>\$358,515,752.07</b>
<b>Change between opening and closing</b>	<b>7,238,684.50</b>	<b>15,599,287.29</b>

She reviewed the monthly data on the web site visits, the quarterly statistics for the Premier Services, participation activity, enrollments, fund transfers and allocation changes. She also shared the activity for telephone calls and the top 10 most common topics that participants are inquiring about.

b) Rainier Fund Reimbursement Process

All of the other mutual fund companies are submitting the shareholder service fee reimbursements to ICMA-RC's bank lockbox except for Rainier Fund. This is causing a delay in receipt of the funds. They were notified by mail about the change in procedure and to date the change has not been made. We will attempt alternative methods to communicate this change to Rainier.

c) Ibbotson Recommendation Second Fixed Income – Request Cancelled

As a follow-up from the June meeting, ICMA-RC received notice from Ibbotson that the second fixed income option will not be required for the Online Advice program.

d) Beneficiary Updates Strategy

There are approximately 1,600 participants in the Money Purchase Plan and 1,100 participants in the 457 Deferred Compensation Plan who do not have a beneficiary designation listed in ICMA-RC's system. A targeted outreach campaign will occur in which we will communicate with these participants through several channels in order to obtain a current beneficiary designation. A project plan will be provided to the BART staff for review. In November, when the outreach is complete, we will provide the results of the campaign. This campaign will be conducted on an annual basis. Participants will be contacted through a special letter inserted in the quarterly statement, through email, special announcement in Account Access and a reminder script for the Investor Services call center.

**AGENDA ITEM 8 – Discussion and Action Concerning**

a) Legal Update

Legal counsel introduced Ms. Brandie Barrows to the Investment Plans Committee. Ms. Barrows will be working in part on Investment Plans Committee issues for Saltzman and Johnson. She presented a memorandum describing legal developments concerning placement agents, with placement agents loosely defined as matchmakers who bring together smaller investment managers with private equity products and public sector defined benefit plans. She described CalPERS' policy of requiring prospective managers to disclose payments to placement agents. She also described AB 1584, pending legislation which if enacted would require disclosure of fees, broaden the period during which retirement board members and retirement staff could not be employed by investment managers, and would require public retirement plans to adopt policies concerning these issues. Mr. Richeda noted that they would monitor this bill and determine if it applied to the Committee and its activities.

b) Amendment to Deferred Compensation Plan re: Age 70

The Committee reminded Mr. Richeda that the Committee at its July 2009 meeting had decided not to amend the plan to permit employees to commence distributions at age 70 1/2. Mr. Richeda withdrew the proposed amendment.

c) Amendment to Deferred Compensation Plan re: Minimum Deferrals

Mr. Richeda presented a proposed amendment to delete the phrase “for each investment choice” from section 4.5 of the deferred compensation plan. Ms. Lopez noticed an error, and Mr. Richeda was directed to bring back a corrected version.

d) Amendment to Deferred Compensation Plan re: Distribution Deadlines

Mr. Richeda presented a proposed amendment to sections 7.3 and 11.5 of the deferred compensation plan. Mr. Richeda noted that an additional deletion needed to be made to the proposed amendment to section 11.5. He was directed to bring back a corrected version.

e) Roll-In of After-Tax Contributions in Deferred Compensation Plan

Ms. Barrows presented a memorandum analyzing the issue of the roll in of after-tax contributions into the deferred compensation plan, concluding that the roll in of such moneys was not permitted under the Internal Revenue Code. She recommended that the last sentence of section 11.6 of the plan be deleted. She further recommended that section 7.5 of the plan be amended to prohibit the roll over of hardship distributions. Ms. Barrows then presented proposed amendment No. One to the deferred compensation plan which included both changes. The Committee thereupon by motion approved proposed amendment No. One to the deferred compensation plan as its recommendation to the District.

f) Log Concerning Disputed/Unusual Distributions

Mr. Richeda presented a log of cases assigned to his office that included a legal issue involving the absence of a designated beneficiary or involving some other distribution issue.

**AGENDA ITEM 9 – Discussion and Action Concerning**

Outreach

Staff reported that twelve participants attended the June brown bag seminar. Committee member, Kory Frost reported that BART’s Police Officer’s Association will schedule Bill Eagan of ICMA-RC to give a presentation to its members.

**AGENDA ITEM 10 – Discussion and Action Concerning**

a) Monthly Budget Review & Vendor Reconciliation Report (June 2009)

Staff presented the monthly budget review and vendor reconciliation report for June 2009. A committee member noted that income for June was less than previous months. Staff reported that since fund reimbursements from Rainier are not being sent to ICMA-RC's lock box, payments are not being posted on time.

b) Workshops/Seminars

Staff notified the Committee of the upcoming Pensions and Investments West Coast Defined Contribution conference being held November 1 – 3, 2009. A committee member requested that staff register them for this event.

c) 2007 Audit

Staff reported that the auditors have begun working on our file. However, staff have not been able to dedicate much time to the audit due to other obligations related to labor negotiations. Staff asked the Committee to extend the deadline to the end of August; the Committee approved this request.

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

The Committee adjourned the meeting at 12:35 p.m. to enter into closed session to consider five Emergency Withdrawal Applications of which four were approved and one was denied. The Committee reconvened the public meeting at 1:05 p.m.

A closed session of the Investment Plans Committee was held on Thursday, July 9, 2009 and convened at 1:00 p.m. to consider one Emergency Withdrawal Applications which was approved. The Closed session was adjourned at 1:15 p.m.

**AGENDA ITEM 12** – Adjournment

The Committee adjourned the meeting at 1:05 p.m.