

## Investment Plans Committee

Regular Meeting  
Minutes  
September 23, 2009

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, September 23, 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.
Howard D. Jones,	SEIU
Robert Fernandez,	SEIU alt.
Carolyn Pope-Chappell,	ATU
Hubert LaViolette,	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:

Jacqueline Finley,	Westwood
David Spika,	Westwood
Rose Roberts,	ICMA-RC (recordkeeper, via phone)
Russ Richeda,	Saltzman & Johnson (legal counsel)
Brandie Barrows,	Saltzman & Johnson (legal counsel)
Marcia Beard,	R.V. Kuhns (investment consultant)
Peter Horikoshi,	BART
Arne Stokstad,	BART
Joni McCarty,	BART

### AGENDA ITEM 1 - Convene and Sign-in

### AGENDA ITEM 2 – Public Comment

There were no public comments at the September 23, 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 – The minutes for the August 26, 2009 meeting were not available for review. These minutes will be reviewed at the October 28, 2009 meeting.

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

- a) Investment Performance Report – August 2009

A Summary of the Current Market Environment for the August 2009 was briefly reviewed. All indexes for publically traded asset classes posted positive returns for the month of August with the exception of the MSCI Emerging Markets Index which lost 0.33% and the Dow Jones-UBS Commodity Index which lost 0.58%. Year-to-date the indexes were positive. The S&P 500 Index gained 3.61% in the month. Large cap value stocks outperformed large cap growth stocks. Non-US equities posted a positive return with the MSCI EAFE Index up 5.44% and the MSCI ACW ex-US Index up less at 3.72% on the weakness in emerging markets.

The Plans' funds outperformed their respective benchmarks in the month of August, with the exception of Dodge & Cox Stock, RCM, Westwood, Templeton and Dwight Stable Value.

- b) Manager Focus – Westwood (Small/Mid Cap Value Equity Option)

The Investment Consultant provided information on the Westwood Small Mid Cap Equity Fund in anticipation of the presentation from Jackie Finley and David Spika of Westwood. The Westwood SMid strategy experienced above-benchmark returns in all calendar years with the exception of 2003. The Fund is ahead of the Russell 2500 Value Index benchmark year-to-date 2009, 21.39% versus 16.03%.

The Westwood Fund has been in existence since January 1, 2006. Since its inception, the Fund has beaten the Russell 2500 Value Index Growth Index by 790 basis points.

Since the Fund was added to the Plans' investment option line-up, it has experienced an above median return at below median risk.

**AGENDA ITEM 6 – Fund Manager Update: Westwood**

David Spika, Senior VP and Portfolio Manager and Jackie Finely, VP, Marketing and Client Services attended. As of June 30, 2009, Westwood had \$8 billion in assets under management across all products. In the May

2009 issue of *Institutional Investor*, Westwood was highlighted in “Small Value Shops Shine Through”, an article featuring value managers who “deftly sidestepped disaster” in 2008. Westwood was not forced to downsize their staff and, in fact, added to staff by hiring a Managed Accounts Trader.

David reviewed Westwood’s philosophy to seek long-term capital appreciation by investing at least 80% of the Fund’s assets in equity securities of high quality small- and mid-cap companies. Since its inception, the Fund has outperformed its benchmark in all time periods with the exception of the most recent few months. David attributed their recent underperformance to their focus on high quality companies. David stated that investors were looking for “more bang for the buck” grabbing for riskier assets such as REITS and regional banks. David does not believe this low quality rally is sustainable. David said there were 160 companies in the Russell 1000 Value Index that had no earnings projections and these companies were up 65% year-to-date. The fact that companies with no calculable PE were up 65% illustrates the investors’ “grab for beta”.

David and Jackie left the Committee with Westwood’s 2010 risk assessment in which Westwood is relatively optimistic. They believe the recession is over but the question is....how strong will the recovery be?

**AGENDA ITEM 7 – Discussion and Action Concerning Recordkeeper Report -**

The Recordkeeper reviewed the following reports:

BART 401(a) and 457 Transaction Summary Reports  
BART 401(a) and 457 Fund Information Reports  
BART 401(a) and 457 Fund Detail Reports  
BART Fund Reimbursement Reconciliation Report  
BART IPC Web Activity Report

<b>August 2009</b>	<b>401(a) Money Purchase Pension</b>	<b>457 Deferred Compensation</b>
Opening Balance	\$229,972,071	\$358,515,752
Contributions	\$189,476	\$1,659,807
Roll-ins	\$28,556	\$229,522
Distributions	(\$1,038,298)	(\$887,793)
Adjustments	(\$20,793)	(\$4,822)
Plan to Plan Transfers	\$0	\$0
Earnings	\$3,581,498	\$6,729,338
Service Fees	(\$16,051)	(\$95)
Closing Balance	\$232,738,045	\$366,251,353
Change	\$2,765,974	\$7,735,601

The Recordkeeper noted that the Unallocated Income Accounts were closed and the small balances were transferred to the Administrative Allowance account for both the 401(a) and 457 plans. In the review of the Fund Reimbursement Reconciliation report, as was previously reported to the IPC, Rainier had incorrect mailing instructions. Checks were being sent to ICMA-RC headquarters instead of the lockbox. After several communication attempts, Rainier is now sending the checks to the lockbox directly. This will ensure that the payments will be received and posted timely.

The campaign will be underway to notify participants that they should designate their beneficiary. Participants will be notified by email and a letter included in quarterly statements. In addition, an article will be placed in the BART IPC web site about the importance of designating a beneficiary. These communication events will occur before the next IPC meeting. Preliminary results will be provided at the October IPC meeting with further reporting in November to assess the progress.

In October, National Save for Retirement Week (October 18 - 24, 2009) will be held. A special financial planning seminar, "How Much Will Retirement Cost?" will be held on Friday, October 23rd. An article will be placed in the BART IPC to announce this as well as a message in Account Access. We will also work with the BART Benefits staff on how we can also publicize this event (voicemail etc).

The Recordkeeper also reported that we are developing a one-page publication that describes the catch-up provision and the instructions for participants who are interested in utilizing this provision. Once it is completed, it will be posted to the forms/publications on the BART IPC site and an additional FAQ will also be added to the front page.

The Recordkeeper also asked the Committee if she can provide a draft for next month of a list of topics/themes for the 2010 calendar year to be used for the

communication plan for the BART IPC site articles, Account Access message center, and the quarterly statement message. The Committee indicated that this can be brought to the next meeting.

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

- a) Amendment to the deferred compensation plan concerning minimum deferrals and concerning distribution deadlines

Legal Counsel presented a revised amendment to the deferred compensation plan. He described that the purpose of the amendment was to delete the current requirement in section 4.5 that there had to be a minimum deferral for each investment choice, rather than a minimum deferral to the plan and to make more flexible the distribution deadlines in sections 7.3 and 11.5 of the plan. The Committee considered the revised amendment.

**ACTION:** The Committee by motion unanimously adopted the amendment as its recommendation to the District.

- b) Log concerning complex distributions

Legal counsel presented the log and described the status of the pending complex distributions.

- c) Default distribution option

Legal counsel presented a memorandum on possible expansion of default distribution options under plans. Currently, in the absence of a living designated beneficiary, the distribution must generally go to the participant's estate. Legal counsel described the CalPERS default distribution options and discussed the intestacy rules under the Probate Code. The Committee discussed this issue at length and thereafter directed legal counsel to return with a proposed amendment to each plan, which is to include domestic partners who are not registered but who have filed under the District's domestic partnership program.

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

- a) Outreach

The Committee members expressed their desire to provide more guidance to employees earlier in their work careers. Webinars and brochures would be a good start, with one-on-one counseling as a good follow up option. The Committee asked the Recordkeeper to bring one of the field representatives

to a future committee meeting to discuss some ideas based on experience in talking with employees about their investment plans and choices.

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

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

This report was not available for review and will be presented at the October 28, 2009 meeting.

b) Workshops/Seminars

Staff notified the Committee of the upcoming PIMCO Investing in the New Normal seminar being held on October 14, 2009. Three committee members will be registering for this event.

c) 2007 Audit

Due to staff shortages and increased workload due to negotiations-related matters, progress on the audit has been limited. The Committee directed staff to hire a temporary accountant to complete the reconciliation of data in QuickBooks and produce a financial statement.

**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 four Emergency Withdrawal Applications of which four were approved. The Committee reconvened the public meeting at 1:05 p.m.

The Investment Plans Committee did not meet at its regularly scheduled closed session meeting on Thursday, September 10, 2009 to consider Emergency Withdrawal Applications.

**AGENDA ITEM 12 – Adjournment**

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