

Investment Plans Committee

Regular Meeting
Minutes
October 28, 2009

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, October 28, 2009 and convened at 8:35 a.m. and adjourned at 2:25 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
Hubert LaViolette,	ATU alt.

Other Attendees:

John Vojticek,	RREEF Real Estate Securities
Rose Roberts,	ICMA-RC (recordkeeper)
Randi Carmen,	ICMA-RC (recordkeeper)
Russ Richeda,	Saltzman & Johnson (legal counsel)
Brandie Barrows,	Saltzman & Johnson (legal counsel)
Marcia Beard,	R.V. Kuhns (investment consultant, via phone)
Peter Horikoshi,	BART
Arne Stokstad,	BART
Joni McCarty,	BART
John Rennels,	former member of the IPC
Julie Klassen,	member of the public (Great-West)

AGENDA ITEM 1 - Convene and Sign-in

AGENDA ITEM 2 - Public Comment

There were no public comments at the October 28, 2009 BART Investment Plans Committee's public meeting.

AGENDA ITEM 3 - IPC Chair Report - “Check-in” by IPC Members

Elaine Kurtz is currently acting Assistant General Manager for Administration and will have to leave the meeting at 9:00 a.m. Kory Frost and Michael Pon reported on the PIMCO seminar “Investing in the New Normal” which emphasized multi-strategy funds.

AGENDA ITEM 4 - Discussion and Action Concerning

a) Minutes – August 26, 2009

The Committee deferred reviewing the August 26 meeting minutes until the November 18 meeting.

Minutes – September 23, 2009

The Committee reviewed the minutes for the September 23, 2009 meeting and approved the following motion:

Motion: To approve the September 23, 2009 meeting minutes with the following modifications:

Page 2 – Agenda Item 5a: Change – “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.”

Page 6 – Agenda Item 10c: Change – “Due to staff shortages and increased workload due to negotiations-related matters, After discussing the lack of 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.”

Elaine Kurtz left the meeting.

AGENDA ITEM 5 - Discussion and Action Concerning

a) Investment Performance Update – September 2009

The third quarter of 2009 picked up where the second quarter left off, with strong gains in all asset classes, excluding Real Estate, as investor risk appetite remained robust. The Federal Reserve held the Federal Funds Target Rate to a range of 0% to 0.25%, and global central banks held short-term target rates steady as well. Unemployment was fairly steady as the U.S. seasonally adjusted unemployment rate grew to 9.8% in the third quarter from 9.5% in the second quarter.

In the seven months going back to March 2009, when the S&P 500 reached its lowest point, equity markets have rebounded exceptionally well. The S&P 500 (45.76%), Russell 2000 (56.80%), MSCI EAFE (60.02%), and MSCI Emerging Markets (86.69%) each posted their best seven-month returns since the 1980's. The equity rally was broadly based, as every sector in the S&P 500 saw positive returns, as was the case in the second calendar quarter. Financials continued to lead all sectors with a return of 25.53%. Small capitalization stocks once again outperformed larger stocks during the quarter. The main shift was a resurgence of value; which outperformed growth meaningfully across the capitalization spectrum and around the world. Among international equities, European stocks posted the largest gains due to low interest rates, strong liquidity, and rising expectations of a full economic recovery.

Low interest rates and increased investor demand led to a very strong quarter for fixed income, as every sector of the Barclays Capital Aggregate Bond Index posted positive returns. Within the BC US Aggregate Index, Commercial Mortgage-Backed Securities (CMBS) led all sectors with a quarterly return of 12.7%. CMBS has been on its longest winning streak since December 2006, going seven consecutive months with positive excess returns. The CMBS rally has been driven by a broad improvement in credit markets and a flood of money from government programs such as Term Asset-Backed Securities Loan Facility and Public-Private Investment Program. Additionally, spreads have tightened across the quality spectrum, adding to the gains in this sector. Corporate issues, especially those rated below investment grade, benefited from narrowing yield spreads. From June to September, high yield spreads fell from 10.6 percentage points to 7.9 percentage points and investment grade spreads fell from 3.3 percentage points to 2.35 percentage points.

The Plans' funds outperformed their respective benchmarks in the quarter, with the exception of the RCM, Westwood Small/Mid and the Dwight Stable Value funds.

The IPC and consultant conducted their quarterly Investment Policy Review.

- Dodge & Cox Stock Fund fell below the three and five year policy expectations for performance relative to their policy benchmark. Per the Policy, the Fund is expected to perform above median in a universe of peers. Dodge & Cox's return was below median for the 3 year period but above median for five years. The IPC agreed that Dodge & Cox's performance had improved dramatically in 2009 and would not make any changes at this time.
- PIMCO All Asset Fund fell below the three and five year policy performance expectation. The IPC agreed to keep PIMCO on their watch list but would not make any changes at this time. Marcia encouraged the IPC to consider a multi-manager approach for this option.

- Rainier Small/Mid Cap Equity Fund fell below the three and five year policy expectations for performance relative to its policy benchmark. Against its peer universe the Fund fell below the policy expectation for the three year period and for the five year period. The IPC agreed to take no action at this time since long-term performance for the Fund is strong and there have been no changes to the team.

b) Manager Focus – RREEF Real Estate Securities

Marcia provided information on DWS RREEF Real Estate Securities Fund in anticipation of the presentation from John Vojticek. The Fund experienced disappointing returns in 2008 on an absolute basis (-38.99%) and underperformed the FTSE NAREIT Index. On a relative basis the Fund ranked just below median, in the 51st percentile when compared to Real Estate Sector peers. Year-to-date 2009, the Fund gained 18.79% beating the FTSE NAREIT Index by 96 basis points but ranked just above median in the 46th percentile. Longer-term the Fund has performed well by beating its benchmark, net of fees, and ranking in the 31st percentile for the five-year period. For the seven-year period ended June 30, 2009 the Fund provided a net of fee return above the benchmark but at higher volatility as well. Over the last seven years, RREEF has captured 107.44% of the up markets and 99.07% of the down markets.

AGENDA ITEM 6 - Fund Manager Update: RREEF Real Estate Securities

Manager Presentation –John Vojticek, Managing Director and Co-Head of Americas Real Estate Securities for RREEF attended. RREEF manages both global public and private real estate. RREEF has \$60.2 billion in assets under management worldwide including \$6.5 billion in real estate securities. RREEF’s services include acquisitions, dispositions, development, capital markets, real estate research and asset and portfolio management. The real estate securities team selects securities based on bottom up fundamental analysis but they do take in to account the “RREEF view” for sectors weights.

Mr. Vojticek stated that in the third quarter the stocks within the REIT Indexes with highest level of leverage were the best performing – “what went down the most in the prior quarter, came back the most” in the quarter ended September 30, 2009. Mr. Vojticek said he would like to see the volatility of returns of the portfolio back at the 14 – 18% level. He said high debt cost plus the amount of leverage of underlying companies has exacerbated the level volatility.

Mr. Vojticek reviewed attribution of returns year-to-date and for the one, three and five year periods ended September 30, 2009. In each case, stock selection was positive but sector selection detracted from performance. As a result, the RREEF real estate securities team has now narrowed the sector bets they take and are focusing on security selection. They still take RREEF real estate research in to account but they are not using the full range allowable by sector.

The Fund has considerable exposure in New York City and niche assets such as data centers. The real estate securities team believes commercial real estate is a good inflation hedge and they are trying to take advantage of lower prices. Mr. Vojticek said RREEF believes pricing has been reset from peak in February 2007.

AGENDA ITEM 7 - Discussion and Action Concerning Recordkeeper Report -

a) September Financial Highlights and Reports

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

It was also noted that since Rainier Funds has been using the correct Lockbox mailing instructions, the monthly fund revenue reimbursement has been received on a timely basis.

The Recordkeeper reviewed the quarterly reports regarding participation rates, participant statuses, enrollment, fund transfer, allocations, Call Center statistics, the common Call Center topics and the Premier program.

Plan Activity	401 Money Purchase Plan	457 Deferred Compensation
Opening Balance as of 09/01/2009	\$232,738,044.55	\$366,251,352.76
Contributions	\$84,991.55	\$1,671,465.41
Roll-ins	\$92,703.58	\$264,461.31
Distributions	(\$1,151,502.32)	(\$1,267,802.58)
Adjustments	\$11,409.13	(\$4,576.64)
Plan-to-Plan Transfers	\$0.00	\$0.00
Earnings	\$5,439,387.27	\$9,862,792.38
Service Fees (Rolled up from participant accounts)	(\$16,070.76)	(\$120.00)
Closing Balance as of 09/31/2009	\$237,198,963.00	\$376,777,572.64
Change between opening and closing	\$4,460,918.45	\$10,526,219.88

b) Results of onsite education – January 1, 2009 – September 30, 2009

The Record keeper distributed a recap of the onsite education provided during the year by the two education specialists and the Certified Financial Planner® for the time period from January 1, 2009 through September 30, 2009.

c) Review of draft communication topics for 2010 for BART web site articles/Account Access messages/Statement messages

The Recordkeeper also presented a list of communication themes for consideration for next year that can be utilized for the BART IPC web site, Account Access and quarterly statement messages. The Committee reviewed and approved the topics as outlined. It was also agreed that the Participant Day event would be held at the end of April instead of March. Then it can be announced through the quarterly statement to participants.

d) Education outreach ideas/discussion

At this point, Randi Carmen, one of the education specialists that is assigned to the BART plans was introduced. She discussed her interactions with the BART participants, their typical concerns, questions and challenges. This led to discussion with the Committee members on how we can have more outreach with the younger participants since the mid to late-career participants are always eager to attend seminars, brown bags and individual consultations. It was agreed that Rose Roberts will bring a series of ideas next month for consideration for the 2010 year on ways that we can have broader outreach to the early career participants.

e) Preliminary results of beneficiary designation updates

The Recordkeeper also reviewed the results of the beneficiary designation outreach campaign. In July 2009, there were 1687 participants in the Money Purchase Plan who did not have a designation on file. For the 457 Deferred Compensation Plan, there were 1,107 participants who did not have a designation. As a result of sending a special letter in the third quarter statement, as well as an email to participants, there were 101 participants in the 401 Money Purchase Plan who have submitted a beneficiary designation form and 77 who have provided a beneficiary designation form. We will continue to conduct outreach to ensure that every effort is made for participants to have beneficiaries on file. The Committee was reminded that the beneficiary designation is displayed on the quarterly statement and if a designation is not on file, this is noted on the quarterly statement.

f) Final review of Part 1 Beneficiary designation webinar

The Part 1 Beneficiary Designation webinar presentation was distributed to the

Committee for review. BART's Legal Counsel reviewed this previously and provided several edits. The Committee provided additional minor edits. This will now be provided to ICMA-RC's compliance department for final review and then this will be recorded and posted to the BART IPC web site. We will also announce this through the BART IPC web site as well as the Account Access message center.

AGENDA ITEM 8 - Discussion and Action Concerning

a) Legal Updates

Mr. Richeda, primary legal counsel, reported that an initiative earlier filed by Paul McCauley which would have amended a provision of the state constitution (i.e., the provision that creates vested rights in public employees in their retirement benefits) to permit collective bargaining over retirement benefits had expired without the necessary number of signatures being provided to place the initiative on the ballot. Mr. Richeda also advised the Committee that AB 1584, the bill regulating placement agents and imposing restrictions on former retirement board members from selling investment products to their boards, had become law.

b) Amendment to Deferred Compensation Plan and Money Purchase Plan Concerning Expanded Default Options

Mr. Richeda noted that the memo and amendments had been emailed but not received by many of the Committee members. He asked that this matter be placed on the agenda of the Committee's November meeting.

c) Memorandum on Beneficiary Webinar

Ms. Barrows, associate legal counsel, reminded the Committee that she had presented her comments on this issue under item 7(f) of the record keeper's report.

d) Memorandum on Community Property Consequences Where Plan Participant Dies without a Designated Beneficiary, Leaving a Surviving Spouse or Registered Domestic Partner

Mr. Richeda distributed his office's memo, dated September 25, 2007, on this topic. The basic point is that, in the absence of a will, the rules of intestate succession under the California Probate Code would apply.

e) Log Concerning Complex Distributions

Mr. Richeda presented his log of complex distributions, noting that the number

of pending cases had declined.

f) Money Purchase Pension Plan – Definition of Permanent Disability for Retirement and Early Withdrawal Penalty Purposes

Mr. Richeda distributed a memo, dated October 26, 2009. He noted that the definition of total and permanent disability set forth in section 1.23 of the money purchase pension plan required modification to enhance compliance with the Internal Revenue Code. He described options available to the Committee. The Committee directed him to return with a clarifying amendment.

g) Legal Update re Municipal Bankruptcy

Ms. Barrows summarized her legal update concerning the rules applicable to municipal bankruptcy and concerning pending California legislation on this topic.

AGENDA ITEM 9 - Discussion and Action Concerning

a) Outreach

This was discussed under agenda item 7d.

b) NAGDCA Conference

This was discussed under agenda item 10b.

AGENDA ITEM 10 - Discussion and Action Concerning

a) Monthly Budget Review & Vendor Reconciliation Report – August and September 2009

Staff presented the monthly budget review and vendor reconciliation report for August and September 2009. A committee member requested a formatting change.

b) Workshops/Seminars

The Committee expressed its displeasure with the NAGDCA conference this year and discussed alternatives, including CALAPRS, the Wharton school, and Defined Contribution University workshops offered by SST consulting. None of these alternatives was considered a viable replacement for NAGDCA.

c) 2007 Audit

Staff reported that candidates for the temporary accounting help position had been interviewed, but none were chosen. The Committee discussed using a CPA firm as an alternative and directed staff to research this option.

d) Save for Retirement Week – Outreach October 23, with Bill Eagan

Staff reported that 44 people attended Bill Eagan's seminar on "How Much Will Retirement Cost?" Bill Eagan is ICMA-RC's financial planning manager for the Bay Area.

e) Expense Report submission

This item was deferred to the November 18 meeting.

f) Fiduciary Liability Insurance Proposal

Staff reported that the fiduciary liability insurance proposal has been accepted and the insurance has been paid through November of 2010.

g) 2010 Participant Day

This item was deferred to the November 18 meeting.

h) 2010 Contribution Limits

The IRS has announced that the 2010 contribution limits are unchanged from 2009.

i) 2010 IPC Meeting Calendar

This item was deferred to the November 18 meeting.

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

The Committee adjourned the meeting at 2:00 p.m. to enter into closed session to consider two Emergency Withdrawal Applications of which one was approved and one denied. The Committee reconvened the public meeting at 2:25 p.m.

A closed session of the Investment Plans Committee was held on Thursday, October 8, 2009 and convened at 1:15 p.m. to consider six Emergency Withdrawal Applications of which one was approved, four were denied, and one is pending further information. The Closed session was adjourned at 2:11 p.m.

A closed session of the Investment Plans Committee was held on Tuesday October 20, 2009 and convened at 1:15 p.m. to consider four Emergency Withdrawal Applications of which four were approved. The Closed session was adjourned at 2:00 p.m.

AGENDA ITEM 12 - Adjournment

The Committee adjourned the meeting at 2:25 p.m.