

## Investment Plans Committee

Regular Meeting  
Minutes  
November 18, 2009

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, November 18, 2009 and convened at 8:35 a.m. and adjourned at 1:11 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
Rube Warren,	AFSCME
Kory Frost,	BPOA
Michael Pon,	BPOA alt.

### Committee Members or Alternate Members Absent:

Teresa Murphy,	BART
Hubert LaViolette,	ATU alt.
Jean Hamilton,	AFSCME alt.

### Other Attendees:

Rose Roberts,	ICMA-RC (recordkeeper, via phone)
Dick Johnson,	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

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 November 18, 2009 BART Investment Plans Committee's public meeting.

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

Carolyn Pope-Chappell and Michael Pon attended the Pensions & Investments West Coast Defined Contribution Conference in San Francisco.

**AGENDA ITEM 4 - Discussion and Action Concerning**

- a) Revised Minutes – August 26, 2009
- b) Minutes – October 28, 2009

The Committee reviewed the minutes for the two meetings and approved the following motions:

**Motion:** To approve the Revised August 26, 2009 meeting minutes with minor typographical corrections.

**Motion:** To approve the October 28, 2009 meeting minutes with minor typographical corrections and the following modification:

Page 1 – Hubert LaViolette was not present at the meeting

**AGENDA ITEM 5 - Discussion and Action Concerning  
Investment Consultant Report**

- a) Investment Performance Update – October 2009

A Summary of the Current Market Environment for the October 2009 was briefly reviewed. All indexes for equity asset classes posted negative returns for the month of October. The S&P 500 Index lost 1.86% in October. Large cap value stocks underperformed large cap growth stocks. Small cap stocks underperformed large cap stocks. Non-US equities posted a negative return as well, with the MSCI EAFE Index down 1.25%. The Barclays Capital Aggregate Index was positive for the month at 0.49%. Year-to-date, the indexes were positive. The S&P 500 Index was up 17.05%, the MSCI EAFE was up 27.36%, and the BC Aggregate returned a positive 6.24%.

The Plans' funds outperformed their respective benchmarks in the month with the exception of RCM, Templeton, the longer-dated T. Rowe Price Retirement date funds and Dwight Stable Value.

The IPC agreed to receive education on investment structure and statistics each month rather than in one education session. During the Investment Manager Review each month, the Consultant will focus on one characteristic or statistic.

The education sessions will begin in January 2010 with a session on stable value portfolio structure, mechanics, risks, etc.

b) Investment Manager Review – None

There was no fund manager scheduled to present in November.

**AGENDA ITEM 6 - Fund Manager Update:**

Manager Presentation – There was no fund manager scheduled to present in November.

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

The Recordkeeper reviewed the following monthly 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>Plan Activity</b>	<b>Money Purchase Pension Plan</b>	<b>Deferred Compensation Plan</b>
Opening Balance as of 10/01/2009	\$237,198,963	\$376,777,573
Contributions	\$83,815	\$1,651,158
Roll-ins	\$368,765	\$382
Distributions	(\$1,341,626)	(\$2,237,348)
Adjustments (a)	\$12,817	(\$3,151)
Plan-to-Plan Transfers	\$0	\$0
Earnings	(\$2,430,816)	(\$4,624,126)
Service Fees (Rolled up from participant accounts)	(\$16,113)	(\$140)
<b>Closing Balance as of 10/31/2009</b>	<b>\$233,875,805</b>	<b>\$371,564,348</b>
<b>Change Between Opening/Closing Balances:</b>	<b>(\$3,323,158)</b>	<b>(\$5,213,224)</b>

The Recordkeeper discussed a comparison of total contribution amounts, total distribution amounts, and balance information in the 457 Deferred Compensation Plan and the 401(a) Money Purchase Pension Plan as of October 2008 compared to October 2009.

The Recordkeeper noted during the review of the BART IPC Web Activity Report that usage numbers are down and that the BART Staff will be researching the placement of the BART IPC Web site on the Intranet.

Next, the Recordkeeper reviewed participant education and outreach ideas. The Committee expressed interest in the ideas presented and also shared additional ideas to increase participant awareness about the plans. The outreach plans will be finalized during the January 2010 meeting.

The Recordkeeper discussed the strategy behind the T. Rowe Price Age-Based Retirement Funds and shared the results of a report that reflected a small number of participants who are currently in multiple age-based funds. The Recordkeeper suggested an outreach to those participants that may need additional education on how the funds are designed to work.

The Recordkeeper also shared the results of the beneficiary designation outreach campaign. Currently, there are 4,411 total participants in the 401(a) Money Purchase Pension Plan; 2,923 participants have a beneficiary designation on file. In the 457 Deferred Compensation Plan, there are currently 3,981 total participants; 3,017 participants have a beneficiary on file. The Recordkeeper noted that since July 2009, there has been a 4% increase. Ideas were discussed in order to increase these numbers. The Recordkeeper asked the Committee's approval to utilize original enrollment forms from the prior Recordkeepers to update the beneficiary designation. Although, these may not be up-to-date due to the age of the enrollment forms, the participants will receive a confirmation letter of the change and then can complete a new form if they want to change the beneficiary. The Committee agreed to this approach and asked that the Recordkeeper notify the affected participants of the update being made to their account based upon using the original enrollment documentation. The Recordkeeper will complete this project and include a 4<sup>th</sup> quarter 2009 statement insert to participants who will receive the notice that their beneficiaries will be updated shortly with information from their original records.

The Recordkeeper communicated that Part 1 of the Beneficiary Designation webinar is being recorded again based on feedback from the Committee meeting last month. The updated version will be provided to ICMA-RC's Compliance department for review prior to posting the finalized version on the BART IPC Web site. The Committee members will review and have feedback for Part 2 of the Beneficiary Designation webinar in preparation for the next month's meeting.

**AGENDA ITEM 8 - Discussion and Action Concerning  
Legal Counsel Report**

a) Legal Update

Legal Counsel (Dick Johnson) indicated that a Legal Update discussing the enactment of AB 1584 would be discussed at the December Committee

meeting.

b) Proposed Amendment to the Disability Definition in the Money Purchase Plan and Other Issues

Per direction from the Committee during the November Committee meeting, Legal Counsel presented proposed Amendment 5 to the Money Purchase Pension Plan which amends section 1.23 to reflect the definition of disability found under Internal Revenue Code section 72. The Committee noted that the determination of a participant's disability for the purpose of exemption from the federal early distribution tax should be the sole responsibility of the Internal Revenue Service, and Legal Counsel was directed to bring back a revised version of the amendment removing the language regarding disability determination by the Committee.

c) Proposed Amendment to Both Plans Concerning Default Options and Other Matters

Legal Counsel introduced a memorandum setting forth the proposed changes to the default beneficiary provisions made to the Money Purchase Pension Plan by draft Amendment Four and to the Deferred Compensation Plan by draft Amendment Five, both reflecting the Committee's intent that the default provisions of both plans reflect the CALPERS plan provision. The memorandum also recommended that Money Purchase Pension Plan be amended to (1) delete the sentence which refers to Internal Revenue Code section 105 from the Introduction, (2) revise section 1.08 to reflect the date of the plan's last restatement, and (3) correct the title of section 8.09. After discussion, Legal Counsel was directed to revise the amendments to both plans to (1) clarify the type of trust a benefit will default to, (2) only "natural and adopted" siblings of the participant are default beneficiaries, and, (3) amend both plans to state that the default distribution rules will be implemented if the participant has no named beneficiaries at their "time of death." Legal Counsel was further directed to bring back the revised versions of both amendments to the December meeting.

d) Proposed Amendment to the Deferred Compensation Plan Concerning Rollover of After-Tax Contributions and Hardship Distributions

Legal Counsel again presented the memorandum it had originally presented to the Committee at its August 2009 meeting analyzing the issue of the roll in of after-tax contributions into the Deferred Compensation Plan, concluding that the roll in of such money was not permitted under the Internal Revenue Code. Legal Counsel maintained its recommendation that the last sentence of section 11.6 of the plan be deleted. Legal Counsel further maintained its recommendation that section 7.5 of the plan be amended to prohibit the roll over of hardship distributions. Legal Counsel then presented proposed

Amendment One to the Deferred Compensation Plan which included both changes. The Committee thereupon by motion approved as it had done at its August 2009 meeting proposed Amendment One to the Deferred Compensation Plan as its recommendation to the District.

e) Log Concerning Complex Distributions

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

Robert Fernandez left the meeting

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

a) Outreach

This was discussed under agenda item 7.

b) NAGDCA Conference

Committee members discussed the importance of providing feedback to NAGDCA about their experience this year.

**AGENDA ITEM 10 - Discussion and Action Concerning Staff Report**

a) Monthly Budget Review & Vendor Reconciliation Report – October 2009

Staff presented the monthly budget review and vendor reconciliation report for October 2009. Staff will present a proposed 2010 budget at the December meeting.

b) Workshops/Seminars

There will be no conflict between the CALAPRS conference in March of 2010 and the Participant day since the Participant day has been moved to May.

c) 2007 Audit - CPA

Staff reported that contact has been made with an accounting firm. The committee directed staff to prepare a financial statement outside of Quickbooks in order to expedite completion of the 2007 audit and to continue to work with an accountant to determine how to establish the accounts so that proper reports can be generated for future financial statements using Quickbooks.

d) Expense Report submission

The Committee Chair reviewed the general guidelines for reporting Committee member expenses for reimbursement

e) 2010 Participant Day

The Committee chose Tuesday, May 4, 2010 for the annual Participant Day education event. This will allow participants to be notified in their quarterly statement.

f) 2010 IPC Meeting Calendar – Manager Presentation and Hardship schedule

The Committee discussed the 2010 meeting calendar.

g) Strategic Plans goals

This item was deferred to the February 2010 meeting.

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

The Committee adjourned the meeting at 12:50 p.m. to enter into closed session to consider three Emergency Withdrawal Applications of which two were approved and one denied. The Committee reconvened the public meeting at 1:10 p.m.

A closed session of the Investment Plans Committee was held on Thursday, December 3, 2009 to consider three Emergency Withdrawal Applications of which two were approved and one was denied.

**AGENDA ITEM 12 - Adjournment**

The Committee adjourned the meeting at 1:11 p.m.