

Investment Plans Committee

Draft
Regular Meeting
Minutes
December 16, 2009

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, December 16, 2009 and convened at 8:35 a.m. and adjourned at 11:30 a.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.
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
Carolyn Pope-Chappell,	ATU

Other Attendees:

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
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 December 16, 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
Minutes – November 18, 2009**

The Committee reviewed the minutes and approved the following motion:

Motion: To approve the November 18, 2009 meeting minutes as written.

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

a) Investment Performance Update – November 2009

A Summary of the Current Market Environment for November 2009 was briefly reviewed. All indexes posted positive returns for the month of November. The S&P 500 Index gained 6.00% in November. Large cap value stocks underperformed large cap growth stocks. Small cap stocks underperformed large cap stocks. Non-US equities posted a positive return as well with the MSCI EAFE Index up 2.00%. The Barclays Capital Aggregate Index was positive for the month at 1.29%. Year-to-date the indexes were positive with the S&P 500 Index up 24.07%, the MSCI EAFE was up 29.91%, and the BC Aggregate returned a positive 7.61%.

The majority of the Plans’ funds outperformed their respective benchmarks in the month with the exception of Dodge & Cox Stock and Income, RCM, Westwood, T. Rowe Price Balanced and the Dwight stable value funds.

AGENDA ITEM 6 – Discussion and Action Concerning Recordkeeper Report -

The Recordkeeper reviewed the following monthly reports:

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

2009	457 Deferred Compensation	401(a) Money Purchase Plan
Opening Balance as of November 1, 2009	\$371,564,348.32	\$233,875,805.22
Contributions	\$1,626,309.13	\$139,626.35
Roll-ins	\$0.00	\$25,500.65
Distributions	(\$815,796.88)	(\$882,922.19)
Adjustments	(\$13,731.57)	\$2,248.76
Plan-to-Plan Transfers	\$0.00	\$0.00
Earnings	\$9,511,080.91	\$5,258,158.18
Service Fees	(\$295.21)	(\$16,000.33)
Closing Balance as of November 30, 2009	\$381,871,914.70	238,402,416.64
Change	\$10,307,566.38	\$4,526,611.42

The Recordkeeper reviewed what the highest and lowest months were during the 2009 year in terms of earnings for both plans.

The Recordkeeper reported that the quarterly statement will announce that Barclays Global Investors was purchased by Blackrock Institutional Trust Company and will refer the participants to the BART IPC web site for more information. This affects participants who are in the S & P 500 Index fund.

The Recordkeeper reported that the quarterly review was completed with the BART staff to update the BART/ICMA-RC administrative procedures manual. Updates including adding a plan amendment table for ease in reviewing the various plan amendments, added procedures regarding the Automatic Escalator program, enhanced the catch-up provision procedures, and made changes to beneficiary withdrawal section related to recent plan amendments. The next scheduled review will occur in February 2010.

The Recordkeeper advised the Committee that Participants will be paid in January under BART's de minimis provision. A report will be provided at the January meeting regarding the number that was completed for each plan.

The Recordkeeper indicated she will provide results at the February meeting regarding the number of beneficiary designations that have been updated based upon utilizing prior record keeper information. Participants that are affected will receive a letter in the upcoming quarterly statement to inform them of this updating process and are encouraged to complete a form if their beneficiary records need to be updated based upon family changes.

The Beneficiary Designation Part 2 Webinar was reviewed by the Committee and comments will be incorporated. Both Part 1 and Part 2 will be added to the BART IPC web site by the end of January 2010 after the ICMA-RC Compliance has completed the review.

AGENDA ITEM 7 – Discussion and Action Concerning Legal Counsel Report

a) Legal Update.

Legal Counsel Russ Richeda presented Legal Updates regarding oral arguments in the *Lexin* case (criminal charges brought against members of the San Diego City Retirement Board), CalPERS Actuarial developments, as well as the *Correa-Ruiz v. Fortuno* case (upholding the ADEA exception for public safety employees).

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

Per direction from the Committee during the November meeting, Legal Counsel presented a revised Amendment 5 to the Money Purchase Pension Plan which deletes language referring to the Committee's role in the disability determination process. The Committee approved Amendment 5 in its final form.

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

Per direction from the Committee during the November meeting, Legal Counsel presented Amendment 4 to the Money Purchase Pension Plan and Amendment 5 to the Deferred Compensation Plan, both revised to (1) clarify the type of trust a benefit will default to, (2) clarify that only the 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." Per a discussion of the inclusion of District Domestic Partners (see Item (d) immediately below), Legal Counsel was directed by the Committee to add District Domestic Partners to the list of default beneficiaries.

d) Specification of Domestic Partners in the Default Option.

Legal Counsel presented a memo setting forth a question regarding whether persons classified as "domestic partners" per the terms of the District policy (as opposed to Domestic Partners registered with the state of California) should be included in both of the Plans as default beneficiaries. After considering various factors, the Committee decided that District domestic partners should be included in the Plans as default beneficiaries. Legal Counsel was directed to revise Amendment 4 to the Money Purchase Pension Plan and Amendment 5 to the Deferred Compensation Plan accordingly.

e) Deleted.

f) Legal Update on AB 1584 – Regulation of Placement Agents.

Legal Counsel Russ Richeda presented a Legal Update discussing the enactment of AB 1584, which requires public retirement boards to adopt a placement agent policy if consistent with the fiduciary responsibilities of the board.

g) Request by Legal Counsel for Increase in Retainer and in Hourly Rates.

Legal Counsel Russ Richeda submitted a memo requesting an increase in the retainer from \$5,300 to \$5,800, effective January 1, 2010, and hourly fees for services, effective January 1, 2010. The Committee requested Legal Counsel to leave the meeting, and thereafter discussed his request. After discussion, the Committee unanimously approved Legal Counsel's request.

AGENDA ITEM 8 - Discussion and Action Concerning

a) Outreach

This item was deferred to a future meeting.

b) NAGDCA Conference

The Committee directed legal counsel to draft a letter to NAGDCA regarding the Committee's unsatisfactory experience at the conference.

AGENDA ITEM 9 - Discussion and Action Concerning

a) Monthly Budget Review & Vendor Reconciliation Report – November 2009 & Proposed 2010 Budget

Staff presented the monthly budget review and vendor reconciliation report for November 2009. Staff also presented a proposed 2010 budget and, after some discussion regarding the desire of the committee to try to budget more closely to historic spending amounts, the committee directed staff to present a revised proposed budget that would reflect a 10% increase over spending for the past two years for the more discretionary line items. More fixed line items such as fees for recordkeeper, legal counsel, investment consultant and auditing would remain at the contractual level.

b) Workshops/Seminars

Staff reported that invitations to workshops and seminars have been e-mailed to committee members during the month.

c) 2007 Audit

Staff presented a draft financial statement for the Deferred Compensation Plan (financial data only) that was reviewed by the committee. The committee directed staff 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 with a goal of presenting a draft financial statement to the committee at the January 27, 2010 meeting.

d) 2010 Participant Day

Staff confirmed that the Participant Day will be held on May 4, 2010. A committee member suggested holding a beneficiary designation form session similar to the presentation that is being prepared for the website.

e) 2010 IPC Meetings Calendar

Staff presented a proposed calendar of regular monthly meetings and emergency withdrawal meetings for 2010. A committee member reminded staff that the day of the week for most of the emergency withdrawal meetings would create a scheduling conflict with a regular union meeting and make it difficult for that member to attend both meetings. Staff will review communication from the members and present a revised calendar at the January 27, 2010 meeting.

f) International Foundation Membership

The annual renewal for this membership is due in January 2010. Committee members discussed the usefulness of the information presented by this organization and determined that due to declining interest in the foundation's products as well as the desire to cut back on expenses, membership is no longer desirable.

RESULT: The Committee unanimously approved the termination of the IPC's membership in the International Foundation.

g) Prince William Schools Evaluation

Staff received a request for an evaluation of the Investment Consultant from Prince William Schools, a potential client. Staff informed the committee members of the proposed response and a member of the committee suggested a slightly different rating. More important, the committee member felt that the response should be from the committee's perspective, not from staff's perspective. Therefore, future draft evaluations will continue to be shared with the committee to solicit the committee's input.

AGENDA ITEM 10 - Closed Session Pursuant to Government Code Section 54957.10: Hardship Application(s)

The Committee adjourned the meeting at 11:15 a.m. to enter into closed session to consider one Emergency Withdrawal Application that was approved. The Committee reconvened the public meeting at 11:25 a.m.

A closed session of the Investment Plans Committee was held on Thursday, December 3, 2009 and convened at 1:15 p.m. to consider three Emergency Withdrawal Applications of which two were approved and one was denied. The Closed session was adjourned at 1:45 p.m.

AGENDA ITEM 11 - Adjournment

The Committee adjourned the meeting at 11:25 a.m.