

Investment Plans Committee

Regular Meeting
Minutes
February 24, 2010

A regular session of the Investment Plans Committee (IPC) was held on Wednesday, February 24, 2010 and convened at 8:35 a.m. and adjourned at 12:20 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
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:

Rose Roberts,	ICMA-RC (recordkeeper)
Russ Richeda,	Saltzman & Johnson (legal counsel)
Brandie Barrows,	Saltzman & Johnson (legal counsel)
Marcia Beard,	R.V. Kuhns (investment consultant) (via telephone)
Peter Horikoshi,	BART
Arne Stokstad,	BART
Carolina Lopez,	BART

AGENDA ITEM 1 - Convene and Sign-in

AGENDA ITEM 2 - Public Comment

There were no public comments at the February 24, 2010 BART Investment Plans Committee's public meeting.

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

Committee member Elaine Kurtz announced that she would be leaving the meeting early and committee member Michael Pon was scheduled to arrive late for the meeting.

AGENDA ITEM 4 - Discussion and Action Concerning Minutes – January 27, 2010

The Committee reviewed the minutes and approved the following motion:

Motion: To approve the January 27, 2010 meeting minutes with following modification:

Page 7 – Agenda Item 6c: Change – “the credited rate of return can be lowered even when returns are positive to make the book value of the portfolio rise more slowly ~~that~~ than the market value, bringing the ratio closer to 100%.”

AGENDA ITEM 5 – Discussion and Action Concerning Investment Consultant Report

a) Investment Performance Report – January 2010

January 2010 proved to be a difficult month for equity markets. All equity indexes posted negative returns for the month of January. The S&P 500 Index lost 3.60%. Domestic small cap stocks performed in line with domestic large cap stocks. Domestic value stocks outperformed growth stocks. Non-US equities posted a negative return as well with the MSCI EAFE Index down 4.40% and the MSCI Emerging markets down 5.56%. The Barclays Capital Aggregate Index was positive for the month at 1.53%.

The majority of the Plans' funds underperformed their respective benchmarks in the month with the exception of Dodge & Cox Stock Fund, Westwood Smid Cap Fund and the PIMCO All Asset Fund.

- b) A draft of a revised Investment Policy was reviewed. The proposed revisions centered on removal of the Micro Cap Equity Option and the Enhanced Equity Option in Section V. Tier Two – Core Investment Options as well as changing the fixed income benchmark from the Lehman Aggregate Bond Index to the Barclays Capital U.S. Aggregate Bond Index. The Committee asked that Section III. The Responsibilities of the Investment Plans Committee be broadened to include an annual review of the Policy. The Committee also asked that R.V. Kuhns work with staff and Russ Richeda to include an introductory statement under Section V. Tier Two – Core Investment Options (similar to Tiers I and III).

Rose Roberts from ICMA-RC indicated that representatives from ICMA-RC, who work directly with participants, were fielding several questions concerning the recent performance of the Stable Value Funds. Stable Value funds, in general, experienced performance below historical levels. R.V. Kuhns will work with Dwight Asset Management to provide ICMA-RC with a few sentences to respond to participant's concerns.

AGENDA ITEM 6 - Discussion and Action Concerning RecordKeeper Report

a) The Record keeper 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

2010	457 Deferred Compensation	401(a) Money Purchase Plan
Opening Balance as of January 1, 2010	\$388,213,877.31	\$241,239,797.71
Contributions	\$2,158,890.59	\$1,103,408.74
Roll-ins	\$189,925.17	\$171,903.21
Distributions	(\$2,605,483.36)	(\$1,929,804.40)
Adjustments	\$0.00	\$0.00
Plan-to-Plan Transfers	(\$249,085.68)	(\$196,990.53)
Earnings	(\$7,509,761.14)	(\$3,921,046.57)
Service Fees	(\$85.00)	(\$16,025.51)
Closing Balance as of January 31, 2010	\$380,198,277.89	\$236,451,242.65
Change	(\$8,015,599.42)	(\$4,788,555.06)

The Recordkeeper noted that this is the first month in which the administrative allowance account was placed in a separate account outside of the plan assets and the funds are invested in the Vanguard Money Market account.

The Recordkeeper also reviewed the percentage of participants who have balances in the T. Rowe Price age-based funds as follows:

Age 35 and under	64%
Age 36 – 55	33%
Over 55	3%

Regarding the mutual fund reimbursements, T. Rowe Price (who is normally timely) sent the reimbursement near the end of January, so the credit will appear in February 2010's report. Rainier, who has been delayed in 2009 due

to sending payments to the ICMA-RC corporate address instead of the bank lockbox, has begun again in 2010 to send the payments to the corporate address. As a result, the payment that should have been received in early January was received at the end of January and will appear in February 2010's report. Similarly, the February payment as of this date had not been received. Contact was made with Rainier and they indicated that the check was issued to the corporate street address. Staff contacted them to ensure that they send the payment to the correct address. Wire and ACH instructions have been provided to both T. Rowe Price and Rainier. The Recordkeeper will confirm how Westwood and Dodge & Cox send their payments (if they are already sent via ACH/wire).

- b) The de minimis payments were completed in January 2010. Participants who met the requirements per the plan document were notified in December 2009. If they did not select a rollover to an IRA, the payment was distributed at the end of January 2010. There were 28 payments issued in the 401(a) Money Purchase Pension Plan and 28 payments issued in the 457 Deferred Compensation Plan. The payments averaged \$356 for the 401(a) Money Purchase Pension Plan and \$257 in the 457 Deferred Compensation Plan.

The Recordkeeper reported that the fourth quarter 2009 quarterly statement announced that Barclays Global Investors was purchased by Blackrock Institutional Trust Company and it referred the participants to the BART IPC web site for more information. This affects participants who are in the S & P 500 Index fund.

- c) The Recordkeeper provided a memorandum on the results of the beneficiary outreach campaign since July 2009. The recordkeeping system was updated with the prior recordkeeper's beneficiary information and confirmations were mailed to the affected participants. Efforts will continue in contacting participants so that most participants will have their beneficiary designation indicated in the recordkeeping system. In addition to mailings, when individual consultations are scheduled, ICMA-RC staff will check to confirm if the participant has a beneficiary designated.
- d) The quarterly Administrative Procedures manual update was completed between the BART staff and ICMA-RC. The following topics were updated in the procedures manual:
- Terminated participant address change report and the ongoing maintenance file
 - New purchase of service credit detail report
 - Reduction of the Money Purchase Pension plan participant fee charged by the BART IPC
 - Following annual fees were documented: T. Rowe Price fund line-up fee, BART IPC website maintenance/development

- Plan amendments table
- Forms/publication update history
- Order of default in beneficiaries when a designation of beneficiary is not in the file

e) The following webinars will be worked on during the upcoming year:

- Roth IRAs (conversion aspect for 2010)
- Understanding the Quarterly Statement
- Emergency Withdrawals
- The 7 Secrets to Retirement Readiness
- Strategies to Help Save for Retirement
- Account Access Demonstration

Bill Eagan, ICMA-RC's Certified Financial Planner™ will be presenting the following seminars:

- March 16, 2010 - Roth IRA Conversions
- March 29, 2010 (as part of BART's Retirement Planning Workshops) - Reaching Your Dreams: 10 Critical Retirement Readiness Questions, and Managing Your Income in Retirement.

AGENDA ITEM 7 – Discussion and Action Concerning Legal Counsel Report

a) Legal Update

Legal Counsel Russ Richeda presented a Legal Update regarding the California Supreme Court's ruling in *Lexin v. Superior Court*, in which the California Supreme Court dismissed criminal charges under Government Code Section 1090 (which prohibits a retirement board member from being financially interested in a contract made by the Board) against five of the six former members of the San Diego City Employees Retirement Board. Legal Counsel informed the Committee that the ruling does not immediately affect Committee members, but highlighted that the case reminds them that Government Code Section 1090 is important. In response to a Committee member's question regarding self-interest when conducting IPC business, Legal Counsel stated that the case underscores (as the Court ruled) that there is no self-interest where the benefit bargained for is universally received by all participants or members of a unit across the board.

b) Emergency Distribution Summary Sheet

Legal Counsel Russ Richeda presented the Emergency Withdrawal Summary Sheet requested by the Committee at the January 27, 2010 meeting. The Committee approved the Emergency Distribution Summary Sheet as drafted for immediate use.

c) Memo: Default Option Selection

Legal Counsel Russ Richeda presented a memo recommending that the Committee adopt a policy permitting contributions to the BART 401 Money Purchase Pension Plan and the BART 457 Deferred Compensation Plan to be invested in a qualified default investment alternative, with notice to the participant, where the participant fails to designate an investment option for such contributions. Legal Counsel recommended that an age-based fund be the designated default investment fund for both plans. In response to questions from the Committee, Legal Counsel stated that an age-based fund is recommended because it meets the requirements set forth by the Department of Labor, and that this policy will generally affect employees who become eligible to participate in the Money Purchase Plan after moving from part-time to full-time status and don't select an investment option, or who authorize deferrals to the 457 Plan but fail to select an investment option. The Record Keeper stated that default investment funds are used by most of their clients. The Committee moved to adopt the default investment fund policy, and directed the Record Keeper to present default investment fund implementation policies and notice materials at the next Committee meeting.

AGENDA ITEM 8 – Discussion and Action Concerning

a) 2010 Strategic Plan

Staff put together a policies and procedures binder that will be brought to each meeting to ensure that new and updated policies and procedures are added to the binder. A committee member commented that the Plan Document, Administrative Procedures Manual and the IPC Policies and Procedures binder should all be updated frequently.

The Committee established priorities for 2010. The following are the most important initiatives that the Committee felt met the needs of all participants:

Outreach – The Committee discussed improving communication to and from retirees, perhaps in the form of a periodic letter specifically addressed to retirees.

Participant Retention – The Committee requested that ICMA-RC provide information as to the number of participants, who have separated from employment recently and have kept their funds in the plan(s). This information will be helpful to determine whether participants are benefiting from education and outreach efforts put forth by the Committee.

Education – Webinars will be made available to participants via the IPC website throughout the year.

10:30 a.m. – committee member Elaine Kurtz left the meeting.

10:50 a.m. – the Investment Consultant, Marcia Beard, left the meeting.

b) 2010 Participant Day

Plans for the event have not been finalized. Staff will bring a draft agenda to the next meeting.

c) Form 700 for 2009

Committee members were reminded that Form 700s were due March 31, 2010. Legal Counsel reiterated that committee members need to report “gifts” over \$50 and suggested that staff should email sponsors of special events at the NAGDCA conference ahead of time to obtain an estimate of the value of the event.

d) Reschedule March 24, 2010 Committee Meeting

Due to a scheduling conflict the Committee rescheduled its monthly meeting from March 24, 2010 to March 15, 2010. Staff will send out an email reminding the Committee of this change.

11:55 a.m. – committee member Michael Pon joined the meeting.

AGENDA ITEM 9 - Discussion and Action Concerning Staff Report

a) Monthly Budget Review & Vendor Reconciliation Report – January 2010

Staff presented the monthly budget review and vendor reconciliation report for January 2010; both were accepted as received.

b) 2007 Audit – Financial Statements and Management Discussion & Analysis (MDA) Document

Staff confirmed that the MDA was sent to the auditors for review and are waiting to hear back as to when they will complete their review of the audit. The Committee directed staff to work with the auditors to present their findings at the April 2010 committee meeting.

c) Accountant Review of QuickBooks File

Staff reported that they met with the Certified Public Accountant (CPA) who will be creating the financial statement for the audit of the next plan year. The CPA has already recommended specific corrections to the QuickBooks file.

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

The Committee adjourned the meeting at 12:10 p.m. to enter into closed session to consider one Emergency Withdrawal Application that was approved. The Committee reconvened the public meeting at 12:20 p.m.

A closed session of the Investment Plans Committee was held on Thursday, February 11, 2010 and convened at 1:05 p.m. to consider four Emergency Withdrawal Applications of which three were approved and one was denied. The Closed session was adjourned at 2:00 p.m.

AGENDA ITEM 11 - Adjournment

The Committee adjourned the meeting at 12:20 p.m.