

Investment Plans Committee

Regular Meeting
Minutes
December 20, 2010

A regular meeting of the Investment Plans Committee (IPC) was held on Monday, December 20, 2010 and convened at 8:35 a.m. and adjourned at 10:50 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.
Carolyn Pope-Chappell,	ATU
Hubert LaViolette,	ATU alt.
Rube Warren,	AFSCME

Michael Pon,	BPOA alt.
--------------	-----------

Committee Members or Alternate Members Absent:

Teresa Murphy,	BART
----------------	------

Jean Hamilton,	AFSCME alt.
Kory Frost,	BPOA

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)
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 December 20, 2010 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 23, 2010

The Committee reviewed the minutes and approved the following motion:

Motion: To approve the November 23, 2010 meeting minutes with the following modifications:

Page 3 – Agenda Item 5a: “The Committee inquired about where the rollouts occurred and it was reported that it was into Fidelity and Schwab.”

Page 3 – Agenda Item 5a: “In conclusion to the monthly reports update, the Recordkeeper reported that the BART IPC Web Activity Report showed results consistent ~~results~~ with web activity from prior months.”

Page 3 – Agenda Item 5c: “The Recordkeeper presented the 2011 Premier Services Fee to the Committee and reported that last quarter statement inserts ~~where~~ were provided to members regarding the free Goal-Specific and Financial Needs Assessment plans.”

Page 5 – Agenda Item 6b: “If the Committee wants to ~~limit~~ eliminate ETF's ~~completely~~, then the option to invest in individual ~~stocks~~ securities would have to be removed completely and only investments in mutual funds ~~and bonds~~ would be allowed.”

Page 5 – Agenda Item 7: Move the following paragraph to the beginning of this item: “R.V. Kuhns reviewed a presentation on capital preservation options. The Recordkeeper provided a report to the Committee which showed the break-out of participants by age range who were invested in the Stable Value Fund as of September 30, 2010. The IPC asked R.V. Kuhns to provide additional review of the stable value option and of the current manager, Dwight Asset Management, at a future meeting.”

Page 6 – Agenda Item 9: “The Committee reviewed its Travel Policy; a committee member commented that it should be modified in the near future. The Committee reviewed the BART Code of Conduct memorandum and determined that events/meals provided at a conference may be considered a “gift”.”

AGENDA ITEM 5 – Discussion and Action Concerning Recordkeeper Report

a) November Financial Highlights and Reports

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

2010	457 Deferred Compensation	401(a) Money Purchase Plan
Opening Balance as of November 1, 2010	\$414,467,989.88	\$247,910,848.58
Contributions	\$1,609,808.72	\$148,123.59
Roll-ins	\$1,402.20	\$29,240.11
Distributions	(\$1,833,286.63)	(\$1,385,393.57)
Adjustments	\$0.00	\$0.00
Plan-to-Plan Transfers	\$0.00	\$0.00
Earnings	(\$886,955.77)	(\$440,418.25)
Service Fees	(\$90.00)	(\$48.67)
Closing Balance as of November 1, 2010	\$413,358,868.40	\$246,262,351.79
Change	(\$1,109,121.48)	(\$1,648,496.79)

The Recordkeeper noted that the transaction activity within the Transaction Summary reports was normal and there was no unusual activity to report. It was also noted in the Fund Detail Reports that the fund transfer activity for the month in both plans showed activity in the Stable Value Fund moving to investments such as the Bond Fund, the Small Cap Growth Equity Fund and the Real Estate Fund. There was also some transfer activity between the T. Rowe Price Target Retirement Date Funds. It was agreed by the Committee that an article about the T. Rowe Price Target Retirement Date Funds would be appropriate on the BART IPC website to continue to educate participants about the T. Rowe Price Target Retirement Date Funds.

The Recordkeeper reported that in the Fund Reimbursement Reconciliation Report a new section was added to show the date that trading was implemented on the Matrix platform system.

The Recordkeeper also presented a sample of two new reports that will be included in the regular quarterly reports. The first report illustrates the following by age groups:

- asset allocation
- number of active/inactive participants
- total assets
- average balance
- number of participants invested in one fund

The second report provides the percentage of assets by asset category for the BART plans as well as for all of ICMA-RC clients.

The Recordkeeper also confirmed with the Committee that it was acceptable to include our Vice President of Marketing Services and Industry Analytics in the January 2011 meeting to provide an update on what may be upcoming from a legislative perspective in 2011.

AGENDA ITEM 6 - Discussion and Action Concerning Investment Consultant

Investment Performance Report – November 2010

A Summary of the Current Market Environment for November 2010 was reviewed. Indexes posted mixed results for the month. The S&P 500 Index was flat at 0.01% in November. Large cap value stocks (Russell 1000 Value at -0.53%) underperformed large cap growth stocks (Russell 1000 Growth at 1.16%). Small cap stocks out-performed large cap stocks. Non-US equities posted a negative return with the MSCI EAFE Index at -4.81%. The Barclays Capital (BC) Aggregate Index was negative for the month at -0.57%. Year-to-date, the domestic indexes were positive with the S&P 500 Index up 7.86% and the BC Aggregate returned a positive 7.70%. The MSCI EAFE Index was slightly negative year-to-date at -0.32%.

The majority of the Plans' funds underperformed their respective benchmarks in the month including Dodge & Cox Stock, Rainier SMid Cap Equity, Templeton Foreign Equity, T. Rowe Price Retirement Date funds and the Dwight Stable Value funds.

The IPC asked R.V. Kuhns to provide additional review of the stable value option and of the current manager, Dwight Asset Management.

AGENDA ITEM 7 – Discussion and Action Concerning Legal Counsel

a) Legal Update

Legal Counsel Russ Richeda presented a legal update regarding the San Diego City Retirement System and the SEC civil action filed in 2008 against five city officials following an investigation of the possibly inaccurate information describing the funded status of the plan which was included in bond offering disclosure documents. Settlements have been reached with, and fines ranging between \$25,000 and \$50,000 imposed on, four of the five city officials. One SEC civil action remains pending.

b) Legal Counsel Russ Richeda also presented a legal update regarding the provision of the Small Business Jobs Act which permits sponsors of governmental deferred compensation plans (also known as "457 plans") to amend the plan document to allow participants to convert their accounts to Roth accounts inside the plan (i.e., an "in-plan Roth rollover"). Per Treasury Department Associate Benefits Tax Counsel advice, plan sponsors of 457

plans should wait until the Treasury Department issues further guidance to amend their plans to allow an in-plan Roth rollover.

c) Authorization to File Interpleader

Legal Counsel Brandie Barrows requested permission to file an interpleader where the relatives of a deceased BART employee have indicated that they will contest the employee's beneficiary designation under the BART money purchase pension plan. The deceased employee did not leave a will and a probate estate will not be established on behalf of the deceased employee. An interpleader involves the filing of a complaint, paying the plan account balance into the court, serving the parties, and then filing a motion to dismiss the plan from the action, leaving the claimants to litigate their right to the money. The Committee moved to approve Legal Counsel's request to file an interpleader.

AGENDA ITEM 8 – Discussion and Action Concerning

a) Travel Policy/BART Code of Conduct

The Alternate Chairperson stated that there has not been a resolution for the BART Code of Conduct regarding participation at dinners or receptions at conferences. The Committee will continue to discuss the travel policy and the code of conduct at a future meeting.

b) 2011 Proposed Budget

The Committee reviewed the revised 2011 proposed budget and found that minor changes needed to be made. The Committee directed staff to bring back the revised proposed budget to the January 2011 meeting.

c) 2011 Meeting Calendar

The Committee reviewed the revised 2011 meeting calendar and agreed that the meeting dates all look good; any scheduling conflicts that come up during the year will be discussed at that time.

AGENDA ITEM 9 – Discussion and Action Concerning Staff Report

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

The Committee accepted the November budget report as presented.

b) Workshops/Seminars

Staff announced that the CALAPRS annual conference is scheduled for March 5 – 8, 2011. Staff offered to register committee members for this event but asked that committee members submit a request. Staff continues to forward

invitations to workshops and seminars as they are received.

c) 2009 Investment Plans Audit

The letter of intent to the auditors to conduct an audit of the 2009 plan year has been signed and submitted to the auditors. Temporary staff has been hired to prepare the files for the audit. Staff has had preliminary discussions with a new accountant and is likely to change accountants starting with the 2009 plan year.

d) Fiduciary Liability Insurance Proposal

Legal counsel has submitted questions for the insurer and staff has received the invoice for the policy. Staff will forward the questions and submit the invoice for payment.

AGENDA ITEM 10 – Discussion and Action Concerning Closed Session

The Committee adjourned the meeting at 10:45 a.m. to enter into closed session to consider one Emergency Withdrawal Application which was denied. The Closed session was adjourned at 10:50 a.m.

A closed session of the Investment Plans Committee was held on Thursday, December 2, 2010 and convened at 1:05 p.m. to consider two Emergency Withdrawal Applications of which one was denied and one was approved. The Closed session was adjourned at 1:20 p.m.

AGENDA ITEM 11 - Adjournment

The Committee adjourned the meeting at 10:50 a.m.