ROLL CALL
Chair David Dominguez called the meeting to order at 9:03 a.m.

Members Present: Jeffrey Lewis, Christine Zook and Vice Chair Deborah Johnson – 4

Also Present: Hugo Wildmann, Retirement System Manager; Jim Pilker, Retirement System Administrator; Constance Hiatt, Legal Counsel; Marcus Wu, Legal Counsel; Joe Bischofberger, AC Transit District Board Liaison; Dennis Hayashi, AC Transit District Board Director; Nick Norton, AC Transit Retiree Liaison; Rick Fernandez, General Manager; Lori D’Orazi, Stenocaptioner; Adele Foley, Accounting; Deborah McClain, CFO

PUBLIC COMMENTS

Director Hayashi introduced himself and stated he looked forward to working with the Retirement Board. He asked that the Retirement Board members and staff feel free to contact him should they have concerns.

CONSENT CALENDAR

MOTION: LEWIS/JOHNSON to approve the Consent Calendar as amended. (3-0-1)

Ayes: Lewis, Williams and Vice Chair Johnson – 3
Noes: None
Absent: Zook - 1

A. Approval of Minutes for the November Board Meeting

MOTION: LEWIS/JOHNSON to re-open A. November Minutes. (3-0-1)

Page 6, Item Q. …why an action a claim was rejected.

Member Lewis requested clarification of the System Manager’s comments under Item G., 1st paragraph. The System Manager confirmed that the Plan costs would continue to rise as they have if the next 5 years are exactly the same as the past 5 years.

MOTION: LEWIS/JOHNSON to make the correction to Item Q and approve the minutes. (3-0-1)

B. Approval of Financials for October

APPROVED

C. Approval of Invoices in the amount of $179,960.46

APPROVED
D. Approval of Applications for Retirement January 2005
   1) Robert D. Arens, Badge #61209

   APPROVED Robert D. Arens, Badge #61209, for Retirement effective January 1, 2005. Mr. Arens has selected the Full Joint and Survivor Pension Benefit and is to receive a payment of approximately $3,945 per month for his lifetime, with a benefit of $3,945 per month continuing to his beneficiary, Elizabeth A. Arens, upon his death and payable for her lifetime.

   2) Rudolph Dykes, Badge #1239

   APPROVED, Rudolph Dykes, Badge #1239, for Retirement effective January 1, 2005. Mr. Rudolph has selected the Half Joint and Survivor Pension Benefit and is to receive a payment of approximately $2,224 per month for his lifetime, with a benefit of $1,112 per month continuing to his beneficiary, Vorine R. Dykes, upon his death and payable for her lifetime.

   3) Paul E. Parker, Badge #30594

   APPROVED Paul E. Parker, Badge #30594, for Retirement effective January 1, 2005. Mr. Parker has selected the Full Joint and Survivor Pension Benefit and is to receive payment of approximately $1,289 per month for his lifetime, with a benefit of $1,289 per month continuing to his beneficiary, Jacqueline E. Parker, upon his death and payable for her lifetime.

   4) Dave N. Stevens, Badge #31681

   APPROVED Dave N. Stevens, Badge #31681, for Retirement effective January 1, 2005. Mr. Stevens has selected the Full Joint and Survivor Pension Benefit and is to receive a payment of approximately $583 per month for his lifetime, with a benefit of $583 per month continuing to his beneficiary, Ruth M. Stevens, upon his death and payable for her lifetime.

E. Withdrawal of Retirement Application for Mable Woodruff

   APPROVED

REGULAR CALENDAR

F. Resignation Letter from Matt Williams

   The System Manager stated he had received Matt Williams’ resignation letter shortly following the November meeting. Counsel stated she had spoken with Mr. Williams. He stated that due to his work with some hedge funds he wanted to avoid any conflicts of
interest and felt it was best to leave the Retirement Board. Mr. Williams stated he had no concerns about fiduciary matters leading to his resignation.

Chair Dominguez requested staff draft a letter for his signature thanking Mr. Williams for his participation and contribution while serving on the Retirement Board.

G. Process for Replacing Vacant Board Position

The System Manager stated the District Board has discussed the process they will take to fill the vacant seats on the Retirement Board. Applications will be available soon with a due date of January 14th and interviews possibly to begin January 19th.

H. Application for Retirement from Walter Gray

The System Manager and Administrator both reported that despite their efforts to contact Mr. Gray to complete his retirement paperwork, Mr. Gray has not completed the paperwork. The System Manager stated he will send a strongly written letter advising Mr. Gray his retirement benefits might be in jeopardy if the paperwork is not completed. The letter will be sent both regular and certified mail. Counsel will review the letter prior to mailing.

I. Approval of Final Actuarial Valuation and Experience Study

**MOTION: LEWIS/ZOOK** to approve the Final Actuarial Valuation and Experience Study. (4-0)

Ayes: Johnson, Lewis, Zook and Chair Dominguez – 4
Noes: None

J. Determination of the Cost of the Early Retirement Incentive

The System Manager stated Director Piras had requested the cost to the District for this incentive, and the System Manager told the District Board the Retirement Board would determine the cost once the whole valuation was complete. Bob McCrory, EFI Actuaries, stated the cost for determining the cost of the Early Retirement Incentive would be between $5,000 and $10,000. The System Manager spoke with the General Manager about the task, and the General Manager felt there was value in determining the cost. Both the General Manager and the System Manager agreed the actuary should return a range for the cost, not one number.

Member Zook present at 9:17 a.m.
Member Lewis asked why the Retirement Department should bear the cost of determining the cost of the District’s Early Retirement Incentive. The System Manager stated the District pays the Retirement Department for their costs. Member Lewis stated the District does not pay dollar for dollar. Member Lewis suggested informing the District that the Retirement Department will instruct EFI Actuaries to determine the cost of the District’s Early Retirement Incentive only if the District pays EFI Actuaries when their invoice for the work is submitted for payment. He added that should the District Board prefer, EFI will forward the necessary information to Mellon.

K. Semi-Annual Report

The System Manager requested input from the Members on the draft semi-annual report. Member Lewis suggested a clarification on page 2. The System Manager will make the changes and have the Chair sign the report prior to submitting it to the District Board.

L. Investment Performance Update

Jim Callahan, Callan Associates, prepared and reviewed a memo outlining in detail developments at RCM. At this time, Mr. Callahan believes the Retirement Board does not need to take any immediate action on RCM. He feels that recent changes in personnel along with the fine-tuning of investments will be a step in the positive direction. Their poor performance has been isolated over a relatively short period of time, and the long-term performance remains very strong. Although RCM has lost clients over the last year to year and a half, they are still a very large firm.

Member Lewis asked for a reasonable time frame to evaluate the changes RCM is implementing. Mr. Callahan recommended allowing one year to evaluate the changes. He did not see value in the Board incurring costs to retain another conservative large cap growth manager at this time, nor did he feel the Board could find another conservative large cap growth manager with RCM’s 5-year track record. The System Manager stated bringing in a new CIO changes the whole firm so there is no real way to compare past performance with future performance.

Regarding Capital Guardian, Mr. Callahan stated the firm has grown quite a bit, however, their performance has suffered. He suggested this manager needs some monitoring, but did not feel there is any reason for the Board to make changes with Capital Guardian. Templeton has performed well in the smaller stock arena, which is a complementary relationship with Capital Guardian.

Payden was hired as a core plus manager. They were hired to be a very conservative manager, and they have not changed their philosophy. Payden has not performed well
over the last two years as they have been underweighted in higher yielding securities that have performed well during this time period. Mr. Callahan recommended waiting to see if their performance will improve.

Seix owned a lot of credit in 2001 and 2002, as well as airlines, both of which contributed to their poor performance. Despite these challenges, Seix’s performance is up 6.67%. Mr. Callahan reviewed the Board’s reasons for hiring conservative bond managers, which has resulted in the very conservative bond Portfolio presently.

Mr. Callahan did not feel there was a need to make any changes to the managers at this time and his recommendation was to not make any changes to investment managers.

M. Next Step(s) on the Investment Portfolio (Domestic Equity)

N. Enhanced Indexing (Risk Controlled Active)

Mr. Callahan stated Prudential’s cost are similar to BGI’s costs. However, if the Board was interested in moving the funds from BGI to Prudential, that would be considered a search and the cost of the work would increase, including the cost to move the funds. Member Lewis stated that looking at the information provided, Prudential has done better than BGI in every market, especially in the up markets. Mr. Callahan stated the whole impetus of the discussion was to get more return, and BGI has a good product, is a good firm, there is an existing relationship, there would be a savings in terms of time and effort, and the risk profile would not be changed. Mr. Callahan did not feel that a search would be warranted because BGI would be in the top if a search was performed.

**MOTION: ZOOK/JOHNSON** to move $20 million dollars into the Russell 1000 alpha tilt at BGI. (4-0)

Mr. Callahan stated in September 2005 the S&P will go from cap-weighted to float-weighted. He stated the Board will have more information from both him and the System Manager on the effects to the Portfolio and opportunities to reduce associated costs in the upcoming months.

O. Investment Policy and Guidelines

The System Manager had no update.

P. Asset Allocation

The System manager reported he will be selling stocks and buying bonds to keep the assets within the ranges.
Q. Plan Redraft Update

The System Manager stated he hopes to finalize some open issues at this meeting, and then once everyone has agreed, the final Plan Redraft will be forwarded to all the parties. Comments/concerns will be requested prior to the January District Board meeting, when the District Board will be voting on approval of the Plan Redraft.

Member Zook and Lewis requested the references to “negotiated revision” and “administrative revision” be deleted. They felt these references would be misleading and misunderstood by the District Board. Member Lewis suggested a general statement, such as these revisions conform the Plan Document and the changes by the parties over the past x years, be included. Member Lewis also requested changes to simplify the break in service definition. Counsel will make the requested revisions. The System Manager will present the changes to the bargaining parties before the final document is sent out.

The System Manager stated there has not been discussion on the eligibility of a second-term employee and disability. Member Zook stated this issue was not raised in negotiations, and she was not interested in discussing the issue. The System Manager also stated there is a 6-month window after employment ends for a retired employee to apply for a disability retirement. The way the System Manager reads the Plan is that everyone who retires has the opportunity to apply for both a service and disability retirement. Employees are not given this same opportunity; the Retirement Department does not allow an employee to apply for both benefits. None of the members were in favor of making a change on this issue.

Regarding computing service for a “service retirement” service ends on the last day compensated while a disability retirement is calculated to the last day worked. Conversion from disability retirement to a service retirement, will utilize the last date compensated but if this is after the date that the employee “retired” on disability, the day prior to his disability retirement date will be when service ends.

R. Class Action Update

The System Manager had no update.

S. Priorities Until Jim Retires

The System Manager stated he is focusing on learning the details of the System Administrator’s job prior to Jim’s departure. The System Administrator’s priority is writing up his job procedures.
T. Defined Benefit Plans Under Attack

The System Manager included articles from the New York and L.A. Times, as well as the Sacramento Bee attacking defined benefit plans.

Member Lewis requested a future agenda item on dedicated bond portfolios.

U. Retirement Forms in the Divisions or Retirement Department

The System Manager and Administrator were invited to make a presentation next week to the superintendents and supervisors to discuss the processing of retirement applications.

V. Education in the Divisions

The System Manager and Administrator were available at each of the divisions following the mailing of the benefit statements to answer questions and address employee concerns. The System Manager stated there were between 25 and 50 employees that had questions; however, he plans to discuss with the supervisors and superintendents how to get the employees, who are close to retirement age, to become educated on their benefits.

Chair Dominguez stated the presentation at Division 6 during the Safety Fair was a very good. Many people attended and have shared the information with other employees, who are now asking questions about retirement.

W. Update on Fiduciary Insurance Issues

No update.

X. Hiring for Soon to be Vacant Position in Retirement System

The System Manager stated there are both in-house and outside candidates.

Y. Possible Consulting Contract for Jim Pilker

A brief discussion took place pertaining to the desirability of having Jim Pilker available to provide some consulting services to the Retirement System after he retires. A question was raised as to if this presented any legal issues. Counsel will look into this issue and report back to the Board.
Z. Newton Medical Group

The System Manager stated the Department will continue to use Newton, although even the reduced bills appear to be a bit high. He will continue to search for a medical group with reasonable costs.

AA. Retirement System Manager Report
   1) P&I Article on Consultants
   2) Callan Institute (January 31 - February 2)
   3) CALAPRS GA Dates (February 26 – March 1)
   4) Stanford Trustee Training (March 22-25)
   5) Proposed Schedule for 2005 Board Meetings

   MOTION: ZOOK/JOHNSON to approve the schedule for 2005 Board Meetings. (4-0)

   Ayes: Johnson, Lewis, Zook and Chair Dominguez – 4
   Noes: None

6) Service for Rehired Employee Following Layoff
   The System Manager had concerns on counting service for laid off/rehired employees. Member Zook stated the bargaining agreements clarify these questions.

BB. (CLOSED SESSION)
   1) Matters Relating to Personnel: Disability Applicants’ and Disability Retirees’ Medical Records (Government Code Section 54957; Opinion of Attorney General 65 Ops. (Cal AG-412 (1982)).
      a. Mary M. Moore - Total and Permanent Disability Retirement
      b. Terrance W. Cutting – Total and Permanent Disability Retirement
      c. Billy Jessie - Total and Permanent Disability Retirement
      d. Marilyn Oliver - Total and Permanent Disability Retirement
      e. Marilyn Fortson – Total and Permanent Disability Retirement
      f. Mary Cotton – Occupational Disability Retirement
      g. Lyn N. Jefferson – Total and Permanent Disability Retirement
      h. William E. Mapp - Occupational Disability Retirement
      i. Michael Parnell – Occupational Disability Retirement

   2) Matters Relating to Pending or Threatened Litigation
      a. Conference with Legal Counsel – Government Code Section 54956.9(a):
         1. Jesus Suarez - Appeal of Denial of Total and Permanent Disability
         2. Keitha Johnson – Appeal of Denial of Total and Permanent Disability
         3. Howard Jones – Appeal of Denial of Sufficient Service for a Service Retirement
4. George Pearson - Appeal of Denial of Total and Permanent Disability
5. John Eversole – Additional Information

3) Matters Relating to Pending or Threatened Litigation
   b. Conference with Legal Counsel – Government Code Section 54956.9(b)
      1. Joseph Johnson - Marriage of Johnson and Disposition of Pension
         Benefits

CC. (RESUME OPEN SESSION)
1) Report and/or Action on Closed Session Items

**MOTION: ZOOK/JOHNSON** to deny the application of Terrance W. Cutting for Total
and Permanent Disability Benefits and continue the Occupational Retirement Benefits.
(3-0-1)

Ayes: Johnson, Zook and Chair Dominguez - 3
Noes: None
Absent: Lewis – 1

**MOTION: ZOOK/JOHNSON** to deny Total and Permanent Disability Retirement
and make a finding for Occupational Disability Retirement for Marilyn Oliver. (3-0-1)

Ayes: Johnson, Zook and Chair Dominguez - 3
Noes: None
Absent: Lewis – 1

**MOTION: ZOOK/JOHNSON** to approve Occupational Disability Retirement for Mary
Cotton. (3-0-1)

Ayes: Johnson, Zook and Chair Dominguez - 3
Noes: None
Absent: Lewis – 1

**MOTION: ZOOK/JOHNSON** to deny Total and Permanent Disability Retirement
and make a finding of Occupational Disability Retirement for Lyn N. Jefferson. (4-0)

Ayes: Johnson, Lewis, Zook and Chair Dominguez - 4
Noes: None
MOTION: ZOOK/JOHNSON to approve a Show Cause Hearing for John Eversole. (4-0)

Ayes: Johnson, Lewis, Zook and Chair Dominguez - 4
Noes: None

UNFINISHED BUSINESS
None.

STAFF COMMENTS
None.

RETIREMENT BOARD COMMENTS
None.

ATTORNEYS’ REPORT
None.

ADJOURNMENT
The Board adjourned to their regularly scheduled meeting on Monday, January 10, 2005, at 9:00 a.m.