



Annual Report to the Board

Report Period: June 2008
– June 2009

South Coast Air Quality Management District
457 Deferred Compensation Plan

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EXECUTIVE SUMMARY

Executive Summary

South Coast Air Quality Management District (“District”) sponsors and administers an eligible deferred compensation program for its employees, as covered under section 457 of the Federal Internal Revenue Code. The South Coast Air Quality Management District Deferred Compensation Plan (“Plan”) was adopted on January 1, 1987. Employees are immediately eligible upon hire to participate in the Plan.

The Plan is administered by Hartford Life Insurance Company (“Hartford”), a retirement services, asset management and insurance firm. The Hartford was founded in 1810 and has been providing defined contribution retirement services for almost 40 years. They currently have over 24,000 plans under administration and \$49.5 billion in assets under management. The Hartford currently carries a Standard & Poor rating of AA- (Very Strong).

In addition to the retirement plan vendors, the District utilizes the services of Benefit Funding Services Group (BFSG). BFSG is an independent, third-party consulting firm that provides services to the Plan as fiduciaries under a Registered Investment Advisor agreement. Their consulting services include investment analysis, review and recommendation of investment options offered in the Plan; fiduciary compliance assistance to Committee members and annual Plan cost benchmarking. BFSG has been providing services to the Plan since 2007.

The Plan was established to provide a retirement savings program for the employees of the District, and is maintained for the exclusive purpose of benefiting the Plan participants and their beneficiaries. The Plan also is intended to operate in accordance with all applicable state and federal laws and regulations.

While Plan participants are ultimately responsible for their own investment decisions, the Committee will endeavor to provide an appropriate range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance, and retirement goals.

The AQMD Deferred Compensation Plan Committee, as appointed by the AQMD Governing Board, meets on a regular basis to review the Plan’s design, investment options, asset allocation/demographics, and to make changes as necessary.

YEAR IN REVIEW

2008/2009 Year in Review

The AQMD 457 Deferred Compensation Plan Committee was officially chartered in May 2008. Prior to that, the Committee met on a regular basis to discuss and review the Plan. Items addressed and adopted during the year are as follows:

Investments

Date	Item	Update
October 2008	Investment Policy Statement	Committee adopted Investment Policy Statement drafted by Benefit Funding Services Group and dated May 2008.
January 2009	Fund Changes	Several fund changes were made to consolidate the fund line-up and replace funds that no longer met the Committee's investment policy criteria. Two new funds were added to the Plan: 1) American Funds Growth Fund of America R4 2) Allianz NFJ Small Cap Value Admin
March 2009	Fund Changes	A money market fund was added to the line-up, American Century Capital Preservation.

Plan Design

Date	Item	Update
December 2008	Plan Trustee	The District was informed by The Hartford that State Street Bank & Trust was no longer providing passive, non-discretionary trustee services. The Committee chose Reliance Trust Company as the new trustee.

PLAN ASSETS / DEMOGRAPHICS

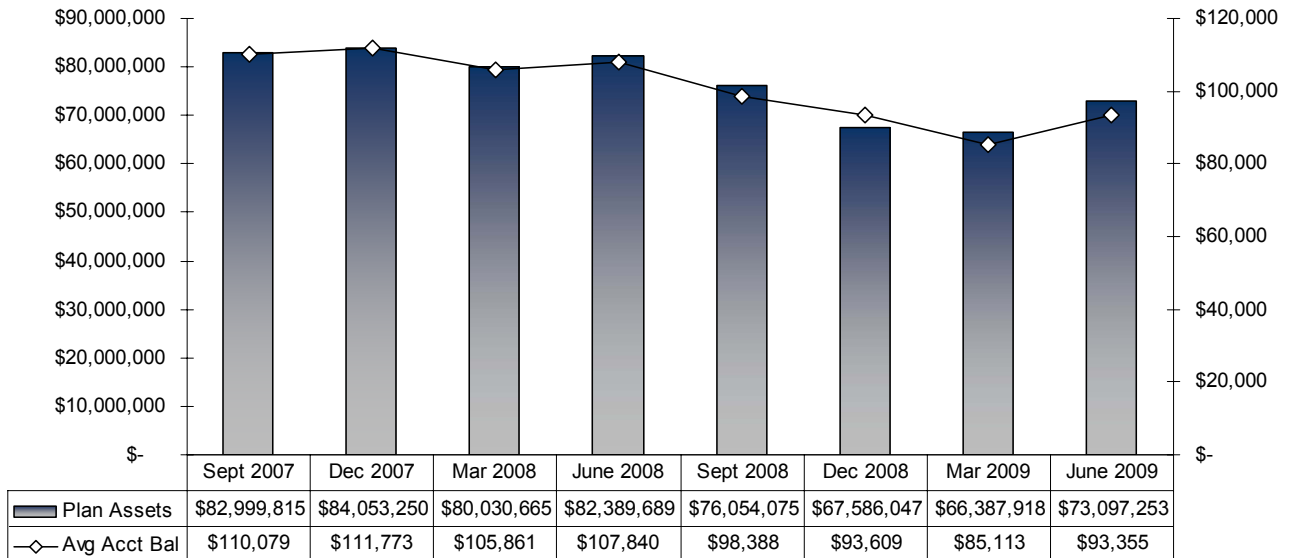
As of 6/30/2009

Plan Assets / Demographics – 2nd Quarter 2009

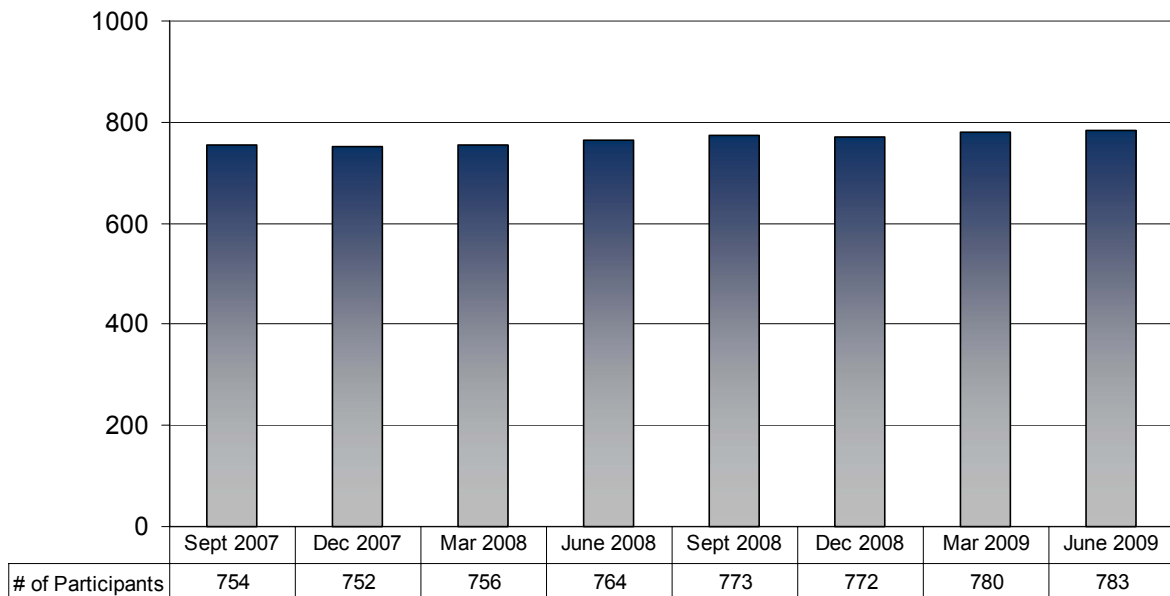
Fund Name	% of Employee Deferrals	Employee Deferrals	# of Balances	% of Plan Assets	Plan Assets
General Account	37.89%	\$449,231	459	40.77%	\$29,740,451
Hartford Capital Appreciation HLS	9.19%	\$108,988	350	9.75%	\$7,109,174
Janus Twenty	5.11%	\$60,541	240	7.15%	\$5,216,006
Janus Adv Intl Growth A	7.81%	\$92,579	215	6.35%	\$4,628,623
Oakmark Equity & Income II	3.30%	\$39,181	171	4.43%	\$3,233,789
PIMCO Real Return Admin	1.57%	\$18,668	72	2.66%	\$1,940,986
MFS Utilities A	2.67%	\$31,711	132	2.59%	\$1,887,017
Hartford US Govt Securities HLS	2.65%	\$31,397	51	2.35%	\$1,715,246
SSgA S&P 500 Index	2.53%	\$29,982	122	2.17%	\$1,585,941
Hartford Mid Cap HLS	2.83%	\$33,562	141	2.14%	\$1,561,223
American Funds Growth Funds of Amer R4	1.85%	\$21,986	123	1.70%	\$1,241,133
Davis NY Venture A	1.38%	\$16,416	96	1.70%	\$1,240,927
SSgA Intermediate Bond Index	1.58%	\$18,753	31	1.65%	\$1,205,782
American Century Equity Income Inv	2.03%	\$24,074	109	1.41%	\$1,028,641
Hartford Dividend & Growth HLS	1.86%	\$22,075	118	1.32%	\$959,481
Van Kampen Equity & Income A	1.16%	\$13,784	76	1.25%	\$911,089
American Century Capital Preservation	1.53%	\$18,153	8	1.22%	\$888,361
Hartford Total Return Bond HLS	1.20%	\$14,192	68	1.16%	\$849,401
Hartford Small Company HLS	1.73%	\$20,469	85	1.01%	\$733,833
Hartford Intl Opportunities HLS	1.10%	\$13,001	78	0.88%	\$639,648
Allianz NFJ Small Cap Value A	1.43%	\$16,940	84	0.84%	\$610,094
Alliance Bernstein Intl Value A	1.07%	\$12,639	93	0.75%	\$545,821
Putnam High Yield Advantage A	0.06%	\$703	27	0.56%	\$405,415
MFS Intl New Discovery	0.43%	\$5,121	49	0.51%	\$371,937
SSgA Dow Jones Target 2025	0.44%	\$5,172	14	0.48%	\$346,771
Artisan Mid Cap Value	0.73%	\$8,655	41	0.39%	\$281,800
Munder Mid Cap Core Growth A	0.55%	\$6,531	53	0.38%	\$276,822
Hartford Global Health HLS	0.75%	\$8,906	41	0.37%	\$270,467
SSgA Dow Jones Target 2035	0.44%	\$5,238	11	0.27%	\$198,598
Victory Diversified Stock A	0.57%	\$6,743	20	0.27%	\$194,620
SSgA Dow Jones Target 2015	0.66%	\$7,858	9	0.25%	\$179,953
Lord Abbett Small Cap Blend P	0.62%	\$7,303	27	0.23%	\$166,702
SSgA Mid Cap Index	0.14%	\$1,683	11	0.19%	\$140,138
AIM Real Estate	0.28%	\$3,336	26	0.19%	\$136,052
SSgA Dow Jones Target 2045	0.16%	\$1,868	13	0.18%	\$131,199
SSgA Dow Jones Target Today	0.00%	\$0	8	0.16%	\$114,056
SSgA Russell 2000 Index	0.22%	\$2,655	18	0.14%	\$100,752
SSgA EAFE Index	0.34%	\$4,037	17	0.13%	\$91,750
Neuberger Berman Socially Responsive Tr	0.12%	\$1,438	26	0.09%	\$64,066
Subtotal	100%	\$1,185,568		100%	\$72,943,768
Self-Directed Brokerage Account		\$0	4		\$153,130
Total	100%	\$1,185,568	780	100%	\$73,096,898

Plan Assets / Demographics

Growth of Plan Assets/Average Account Balance



Number of Plan Participants



Plan Assets / Demographics

Annual Net Cash Flow - 2009

QUARTER ENDING	2009				YTD
	1Q	2Q	3Q	4Q	
Cash Flow					
Beginning Market Value	\$67,586,047	\$66,387,918			
Employee Deferrals	\$1,870,082	\$1,187,472			\$3,057,554
Rollover	\$0	\$0			\$0
Misc Rollover	\$0	\$0			\$0
TOTAL RECEIPTS	\$1,870,082	\$1,187,472			\$3,057,554
Withdrawals	-\$1,442,702	-\$708,831			-\$2,151,533
Fees	\$0	\$0			\$0
TOTAL DISBURSEMENTS	-\$1,442,702	-\$708,831			-\$2,151,533
NET CASH FLOW	\$427,380	\$478,641			\$906,021
Change in Value	-\$1,627,786	\$6,230,339			\$4,602,553
Net Transfers	\$2,277	\$0			\$2,277
Ending Market Value	\$66,387,918	\$73,096,898	\$0	\$0	

Annual Net Cash Flow - 2008

QUARTER ENDING	2008				YTD 2008
	1Q	2Q	3Q	4Q	
Cash Flow					
Beginning Market Value	\$84,053,250	\$80,030,665	\$82,389,804	\$76,054,075	
Employee Deferrals	\$1,700,501	\$1,496,228	\$1,823,385	\$1,129,398	\$6,149,511
Rollover	\$0	\$0	\$0	\$0	\$0
Misc Rollover	\$0	\$0	\$0	\$0	\$0
TOTAL RECEIPTS	\$1,700,501	\$1,496,228	\$1,823,385	\$1,129,398	\$6,149,511
Withdrawals	-\$1,763,295	-\$216,751	-\$855,088	-\$1,497,689	-\$4,332,823
Fees	\$0	\$0	\$0	\$0	\$0
TOTAL DISBURSEMENTS	-\$1,763,295	-\$216,751	-\$855,088	-\$1,497,689	-\$4,332,823
NET CASH FLOW	-\$62,795	\$1,279,477	\$968,297	-\$368,291	\$1,816,688
Change in Value	-\$3,959,790	\$1,079,548	-\$7,304,026	-\$8,047,927	-\$18,232,196
Net Transfers	\$0	\$0	\$0	-\$51,810	-\$51,810
Ending Market Value	\$80,030,665	\$82,389,689	\$76,054,075	\$67,586,047	

PLAN
PERFORMANCE
As of 6/30/2009

Weighted Portfolio Return versus Custom Benchmark

Performance as of June 30, 2009	3 Month	1 Year	Annualized Returns			3 YR Std Dev	3 YR Mean	3 Yr Sharpe	Expense Ratio
			3 Year	5 Year	10 Year				
AQMD 457(f) Plan	10.38%	-11.76%	1.21%	4.62%	4.98%	10.53	1.21	-0.11	0.72
Custom Benchmark - Index (Passive)	9.04%	-11.18%	-1.23%	1.89%	2.07%	N/A	N/A	N/A	N/A
Custom Benchmark - Category (Active)	9.05%	-12.05%	-1.25%	2.01%	2.41%	9.73	-1.25	-0.39	0.73*

*Custom expense ratio represents the weighted expense (based upon current allocation) of Institutional and Retirement share classes in each asset category.

Individual Fund Ranking (Per Investment Policy Statement Evaluation Criteria)

Fund Name	Fund Category	Fund Wgt*	EVALUATION METHODOLOGY SCORE				3 Year Average Fund Score	0%	30%	60%	100%
			2Q09	1Q09	4Q08	3Q08					
PIMCO Real Return Admin	Inflation Protected	2.66%	28.00	35.48	34.98	28.24	20.69	OUTPERFORM	PERFORM	UNDERPERFORM	
Hartford US Govt Securities HLS	Intermediate Govt	2.35%	58.16	55.92	53.70	48.86	37.60				
Hartford Total Return Bond HLS	Intermediate Bond	1.16%	34.17	35.31	36.41	31.33	22.25				
Putnam High Yield Advantage A	High Yield Bond	0.56%	24.61	25.82	26.97	26.63	32.71				
Van Kampen Equity & Income A	Moderate Allocation	1.25%	27.58	24.03	23.96	24.29	19.72				
Oakmark Equity & Income II		4.43%	15.91	15.68	14.85	13.46	13.76				
American Century Equity Income Inv	Large Cap Value	1.41%	24.24	22.61	22.37	23.90	30.11				
Hartford Dividend & Growth HLS		1.32%	20.84	22.10	23.76	24.47	25.45				
Davis NY Venture A	Large Cap Blend	1.70%	28.10	32.47	33.00	25.27	23.05				
Hartford Capital Appreciation HLS		9.75%	19.67	22.25	24.37	20.16	19.20				
Neuberger Berman Socially Responsive Tr		0.09%	26.64	25.84	32.85	26.91	29.89				
Victory Diversified Stock A		0.27%	24.94	23.80	26.10	23.08	26.22				
American Funds Growth Fund R4	Large Cap Growth	1.70%	23.47	23.27	22.66	19.64	17.05				
Janus Twenty		7.15%	22.49	24.63	24.51	23.97	22.18				
Artisan Mid Cap Value	Mid Cap Value	0.39%	15.59	16.53	16.97	16.81	20.39				
Hartford Mid Cap HLS	Mid Cap Growth	2.14%	19.39	16.35	16.56	14.91	15.51				
Munder Mid Cap Core Growth A		0.38%	31.86	28.89	26.63	28.13	24.79				
Allianz NFJ Small Cap Value A	Small Cap Value	0.84%	24.84	22.90	23.55	23.75	26.58				
Hartford Small Company HLS	Small Cap Growth	1.01%	32.13	28.99	25.00	22.22	24.96				
Lord Abbett Small Cap Blend P		0.23%	31.39	30.13	26.77	23.96	25.16				
Alliance Bernstein Intl Value A	Foreign Large Equity	0.75%	48.53	47.73	46.00	38.08	24.40				
Hartford Intl Opportunities HLS		0.88%	28.20	28.41	27.54	31.19	38.60				
Janus Adv Intl Growth A		6.35%	20.34	20.18	21.96	21.58	22.05				
MFS Intl New Discovery R4	Foreign Sm / Mid Equity	0.51%	21.81	23.83	24.73	29.05	30.73				
Hartford Global Health HLS	Specialty - Health Care	0.37%	34.24	31.56	30.49	26.02	24.20				
AIM Real Estate A	Specialty - Real Estate	0.19%	22.16	17.26	18.86	17.18	22.61				
MFS Utilities A	Specialty - Utilities	2.59%	18.69	21.24	23.72	20.44	18.53				
PLAN WEIGHTED SCORE:			24.18	26.53	28.02	27.12	21.86				

*Fund weightings are remeasured by assigning a proportionate weighting to each fund included in the Evaluation Methodology Score.

Considerations

Considerations

1	Model Portfolios	The Committee is considering the option of adding customized model portfolios to the Plan as an asset allocation tool for participants. BFSG prepared an analysis of target date funds vs. asset allocation models for the Committee's review.
2	PERA Policy	A Plan Expense Reimbursement Account will be established to deposit the quarterly payments paid by The Hartford for plan-qualified expenses. In addition, the Committee will develop a policy to identify how the funds in the account will be used.

APPENDIX

AQMD Deferred Compensation Plan Committee Meeting Minutes

DATE: September 18, 2008
11:00 am - 1:00 pm

ATTENDEES: Mr. Patrick Pearce - Chief Financial Officer
Mr. Ron Portnoy - Human Resources Manager
Ms. Eudora Tharp - Assistant Deputy Executive Officer/Administration and Human Resources
Mr. Kurt Wiese - District Counsel

GUESTS: Mr. John Campbell - Benefit Funding Services Group
Ms. Tina Schackman - Benefit Funding Services Group

SUBJECT: South Coast Air Quality Management District 457 Deferred Compensation Plan
Investment Review - 2nd Quarter 2008

The meeting was called to order at 11:05 a.m. and the minutes were documented as follows:

Hartford General Account: Mr. Campbell reviewed the various types of fixed income vehicles available in retirement plans; guaranteed accounts, stable value funds and money market funds. The Hartford General Account is available through a group variable funding agreement that guarantees a stated interest rate for a specified period of time. Under AQMD's current contract with Hartford, the current and contractual minimum rate is 4% annually. The rates are guaranteed by the claims paying ability of Hartford Life Insurance Company which is a division of Hartford Financial Services. There are currently \$55 billion in assets in the General Account with a \$15.3 billion surplus. Mr. Campbell explained that general accounts are a "promise to pay" by the insurance company and do not provide diversification among various insurance issuers, unlike stable value funds. However, due to the nature of life insurance company general accounts, they are able to purchase longer maturities and typically pay higher rates than stable value funds. Stable value funds have maturities between 1 to 3 years and spread their issuer risk among several wrap providers that provide book value accounting to the fund. Therefore, as the market value of the underlying bond portfolios fluctuate with the market, the wrap providers allow the fund to maintain a \$1.00 net asset value if the fund were forced to sell underlying securities to meet withdrawals from the fund. The most liquid option available is a money market fund which typically buys short-term corporate and/or government instruments with maturities of less than 12 months. Both general accounts and stable value funds may impose a market value adjustment or 12-month put option if the plan decides to transfer assets out; however, they are both benefit-sensitive so participants are able to make necessary withdrawals. Mr. Wiese suggested the Committee obtain additional information about Hartford's General Account and look at other available fixed income options in the plan. Ms. Schackman will contact Hartford to get the underlying asset composition of the General Account and determine what other stable value type options are available to AQMD.

Approval of Prior Meeting Minutes: The Committee unanimously approved the minutes from the prior meeting dated May 23, 2008.

Investment Policy Statement: The Committee will review the Investment Policy Statement for adoption at the next Committee meeting.

Annual Report to the Board: BFSG prepared a draft Annual Report to the Board for the period June 2007 - June 2008. Ms. Schackman reviewed the contents of the report which includes a review of the Committee's actions, Plan demographics, cost analysis, and future considerations. Mr. Pearce requested a soft copy of the report for inclusion with other Board meeting materials. The Committee agreed to have future annual reports prepared for the 12-month period ending in June to coincide with their fiscal year.

2nd Quarter 2008 Investment Review: Mr. Campbell provided an overview of the economic and market conditions during the second quarter highlighting economic growth as measured by GDP, inflation, interest rates, unemployment and market sector performance. The economic stimulus package helped fuel growth in the 2nd quarter with the advance estimate of GDP coming in at 1.9%; however, the 4th quarter GDP figure was revised downward to -0.20% growth. Consumers continue to be squeezed by tighter credit conditions, higher oil and food prices and a continued slump in the housing markets. It was noted the market leaders for the second quarter continued to be the energy and industrial material sectors and the laggards were the financial and industrials sectors. The domestic equity market was split in the 2nd quarter with growth stocks producing positive returns and

value producing negative results. Foreign markets are also experiencing weaker markets with the MSCI EAFE declining 2.2% during the quarter. Most of the sectors in the fixed income market lost ground during the 2nd quarter; however, on a year-to-date basis, bonds continue to be one of the best performing asset classes with the Lehman Brothers Aggregate Bond Index returning 1.1% through June 30, 2008.

Ms. Schackman reviewed the performance of each of the investment options in the Plan and provided the following qualitative commentary on a few noteworthy funds:

PIMCO Real Return: Treasury Inflation-Protected Securities (TIPS) continued to be the leading fixed income sector on a year-to-date basis and the PIMCO Real Return fund benefited from rising concerns about inflation and flight to quality. The fund was a top performer on a 1 year basis with a 15.20% return as of June 30, 2008.

Hartford Mortgage Securities: The Hartford Mortgage Securities fund will be merged into the Hartford U.S. Government Securities fund on 9/29/08. The fund's duration and credit quality are expected to be very similar and the expense ratios will remain the same at 47 bps.

Van Kampen Equity & Income: Long-time manager, James Gilligan, will be leaving the fund at the end of 2008. A 4-person management team will take over with many of them working under Gilligan for several years. The strategy is not expected to change, but the Committee and BFSG will continue to monitor the fund closely based on this change.

Oakmark Equity & Income: The fixed income manager for this fund became concerned about inflation and began loading up on TIPS and Treasuries. Along with the flight to quality in the fixed income portfolio, the equity manager has been overweighted in energy and industrial materials. Both sides of the portfolio have been in a "sweet spot" which is evidenced by the fund's strong absolute and relative performance on a 3, 5 and 10 year basis.

Artisan Mid Cap Value: The investment strategy of this fund is to seek companies with solid balance sheets which kept them away from the banking sector because management determined they were taking on too much risk. Management is valuation conscious which helps limit risks for this focused strategy (approximately 50 stocks in the portfolio).

Specialty Funds: The Plan offers four specialty funds in healthcare, real estate, technology and utilities. Several of the funds implement focused strategies and invest globally. The Committee will discuss the merits of maintaining these types of strategies in the plan and the possibility of freezing the funds to new contributions at the next Committee meeting.

The large cap value, large cap blend, large cap growth, mid cap growth, small cap value, small cap growth and global/foreign equity categories will be reviewed in further detail for possible consolidation at the next Committee meeting.

Quantitative Analysis Summary: The Committee noted that most of the funds currently earn a "Perform" or "Outperform" ranking based upon the evaluation methodology outlined in the Investment Policy Statement with the exception of one fund, Managers Skyline Special Equities. This fund will be reviewed at the next Committee meeting for possible mapping into another small cap value fund.

Closing: The Committee stated they would like to schedule an interim meeting in early to mid-October to discuss automatic enrollment, model portfolios, investment policy statement and the fund consolidation strategy. Ms. Schackman will send dates and times to Ron Portnoy to schedule the interim meeting.

Meeting adjourned at 12:55 pm.

AQMD Deferred Compensation Plan Committee Meeting Minutes

DATE: October 16, 2008
1:00 pm - 3:15 pm

ATTENDEES: Mr. Patrick Pearce - Chief Financial Officer
Mr. Ron Portnoy - Human Resources Manager
Ms. Eudora Tharp - Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Kurt Wiese - District Counsel

GUESTS: Mr. John Campbell - Benefit Funding Services Group
Ms. Tina Schackman - Benefit Funding Services Group

SUBJECT: South Coast Air Quality Management District 457 Deferred Compensation Plan
Investment Review

The meeting was called to order at 1:10 p.m. and the minutes were documented as follows:

Investment Policy Statement: The Committee completed a review of the IPS drafted by BFSG and agreed to adopt the IPS dated May 2008.

Hartford General Account: Committee members stated they have received comments from participants expressing their concern over the Hartford General Account, which is currently the Plan's only fixed option. Mr. Campbell outlined the differences between a general account product and a stable value fund. In a general account product, participants deferrals are transferred to the balance sheet of the insurance company, where as, in a stable value fund, the participants own a pool of fixed income securities. Participants in a general account become policyholders of the insurance company and would be paid out before bondholders in the event of a default. Stable value funds utilize wrap providers to guarantee the book value of assets in the fund and are typically diversified among several insurance companies. The stable value fund available on Hartford's platform is the SEI Stable Asset Fund which is sub-advised by Dwight Capital Management. There may be restrictions to change out the fixed option in the Plan, such as a 12-month put option which would require the General Account to be frozen to new contributions and balances to be transferred into the new fixed option over a 12-month period. Ms. Schackman will contact Hartford to determine what, if any, restrictions would apply at the plan level if the Committee decided to change the fixed option.

The Committee, as part of their due diligence process, reviewed the following criteria as it relates to the Hartford General Account:

- Hartford's credit rating
- Hartford's capital surplus
- Possible liquidity issues if Hartford defaults
- Composition of General Account assets

After a thorough review, the Committee agreed to keep the General Account as the fixed option in the Plan and to review the stable value fund option at the next meeting.

Automatic Enrollment: It was noted the Plan's current participation rate is above 80% which is higher than industry averages. The Committee discussed other variables as it relates to automatic enrollment, such as default options and the availability of a defined benefit plan to participants. The Committee didn't feel it was necessary to add an automatic enrollment feature to the plan at this time, but may revisit this topic in the future if participation begins to fall.

Fund Consolidation Strategy: The Committee agreed to review the following categories for possible fund consolidation; large cap value, large cap blend, large cap growth, mid cap growth, small cap value, small cap growth and global/international. BFSG prepared a fund analysis for each of these categories and the following decisions were made to change the fund line-up:

Large Cap Value – Based on poorly executed investment strategies, the funds' inability to perform well in down markets and benchmark underperformance on a 1, 3 and 5 year basis, the Committee agreed to remove the Hotchkis & Wiley Large Cap Value and Van Kampen Comstock funds from the line-up. Any remaining balances in

these funds will be mapped to the Hartford Dividend & Growth fund which as demonstrated an ability to perform well in down markets and has provided a consistent investment strategy.

Large Cap Blend – All of the funds in this category have different investment strategies and are all performing very well against their peer group and the S&P 500 Index. The Committee agreed not to make any changes to this category presently.

Large Cap Growth – AIM Leisure fund has a very narrow focus to media, consumer services and goods sectors which predominantly rely on discretionary income. Based on this narrow focus and compact portfolio, the Committee agreed to remove this fund from the line-up. American Century Ultra employs quantitative screens that result in high portfolio turnover and increased volatility. The Committee agreed to remove this fund from the line-up based on its aggressive strategy. GE Premier Growth Equity is a concentrated portfolio of approximately 30 stocks and uses a similar strategy to the Janus Twenty fund. Due to low utilization and a similar strategy to the Janus fund, the Committee agreed to remove this fund from the line-up. Hartford Large Cap Growth is a traditional growth fund whose strategy has suffered over the past several years. The Committee agreed to remove this fund from the line-up based on its underperformance to its respective benchmarks on a 3 and 5 year basis. In addition, the Committee agreed to add the American Funds Growth Fund of America to the Plan due to its diversified, flexible investment approach and favorable fee structure. Any remaining balances in the AIM Leisure, American Century Ultra, GE Premier Growth Equity and Hartford Large Cap Growth funds will be mapped to the American Funds Growth Fund of America.

Mid Cap Growth – The Franklin Small/Mid Growth fund is a traditional growth fund, but poor stock picking by management has resulted in this fund's underperformance to its benchmarks on a 3, 5 and 10 year basis. The Committee agreed to remove this fund from the line-up and map any remaining balances to the Hartford Mid Cap fund which has low expenses and a consistent long-term performance.

Small Cap Value – The Plan's existing investment options in this category, American Century Small Cap Value and Managers AMG Skyline Special Equities both employ aggressive investment strategies. The Managers fund has underperformed its respective benchmarks on a 3, 5 and 10 year basis with concentrations in holdings and sectors. The American Century fund is well-diversified, but sets price targets to determine buy/sell decisions, which results in high turnover and middling returns. The Committee agreed to remove both of these funds from the line-up and reviewed two new options in this category, Allianz NFJ Small Cap Value and Royce Total Return. Due to its consistent performance, style consistency and low expenses, the Committee agreed to add the Allianz NFJ Small Cap Value fund to the line-up and map any remaining balances in the American Century and Managers funds to the Allianz fund.

Small Cap Growth – All of the funds in this category are performing well; however, the Baron Small Cap fund employs a more concentrated sector strategy and has experienced higher volatility than the other options. The Committee agreed to remove the Baron Small Cap fund from the line-up and map any remaining balances to the Lord Abbett Small Cap Blend fund which has a similar average market cap and has historically performed well in down markets.

Global/International – All of the International funds in the Plan have different investment strategies and invest in different foreign market segments, i.e. value, core, growth and small cap. The Committee reviewed the global fund option, Templeton Growth and how this fund might be misinterpreted as a pure international fund, when it actually has 40% invested domestically. The Committee agreed to remove the Templeton Growth fund from the line-up and have any remaining balances mapped to the AllianceBernstein International Value fund due to both funds having value-oriented investment strategies.

Ms. Schackman will contact Joan Watkins at Hartford to inform her of the Committee's fund changes, discuss timing and employee communications. The Committee would like Ms. Watkins to conduct an employee meeting, possibly on her scheduled visit to AQMD on December 10, 2008. The Committee stated they would like to allow participants 30 days from the time they are notified of the fund changes to allocate out of the funds scheduled to be removed from the Plan.

With no further items to address, the meeting was adjourned at 3:15 pm.

AQMD Deferred Compensation Plan Committee Meeting Minutes

DATE: December 4, 2008
2:00 pm - 3:30 pm

ATTENDEES: Mr. Patrick Pearce - Chief Financial Officer
Mr. Ron Portnoy - Human Resources Manager
Ms. Eudora Tharp - Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Kurt Wiese - General Counsel

GUESTS: Mr. John Campbell - Benefit Funding Services Group
Ms. Tina Schackman - Benefit Funding Services Group

SUBJECT: South Coast Air Quality Management District 457 Deferred Compensation Plan
Investment Review

The meeting was called to order at 2:10 p.m. and the minutes were documented as follows:

Approval of Prior Meeting Minutes: The Committee approved the minutes from the Committee meeting held on October 16th contingent upon correction of the meeting date. Ms. Schackman will make the revision and forward the corrected minutes to Mr. Pearce.

Hartford General Account: The Committee inquired about what options would be available to the Plan to add a stable value or money market fund along side the Hartford General Account. Mr. Campbell explained the equity wash provision that affects competing funds, such as general accounts, stable value or money market funds. Typically, participants that want to transfer all or a portion of the balance to a competing fund must first invest in a non-competing fund (typically equity funds) for a period of 90 days. However, if the Plan wanted to add a stable value or money market fund along side the Hartford General Account, participants could reallocate future contributions into the alternate fund. The Committee expressed concern about the equity wash provision but requested BFSG contact Hartford to identify what options are available to the plan, how long it would take to add an alternate fund and whether an equity wash provision would be required. Ms. Schackman will schedule a call with Hartford's product team to explore all available options to the Plan and provide a recommendation to the Committee as soon as administratively possible.

Administrative Committee Meeting: In its settlor capacity, the Committee requested John Campbell make a presentation to the Administrative Committee during their December 12, 2008 meeting to explain the Charter implemented by the Board. BFSG reviewed the presentation with the Committee for feedback and comments. The Committee would like the presentation to include an explanation of the Board's fiduciary responsibilities, identify who is a fiduciary to the Plan, outline the delegation of duties to the Committee, and the Board's monitoring procedures. Ms. Schackman will make the appropriate revisions to the presentation and forward to Mr. Pearce for final review prior to the December 12th meeting.

Fund Changes Announcement: Hartford prepared an employee notice announcing the fund changes agreed upon at the last Committee meeting. Ms. Schackman commented on a recent fund change in the Plan that occurred after the fund changes were agreed upon. The Hartford Global Tech fund merged into the Hartford Global Equity fund which changed the fund objective and mandate to a broadly diversified, global strategy. Since the Committee agreed at the last meeting to remove global strategies from the Plan, they reviewed the foreign equity funds in the Plan to consider the most appropriate investment option to map the Hartford Global Equity fund. Based upon the fund's new investment strategy, the Committee agreed to map any remaining balances in the Hartford Global Equity fund into the Hartford International Opportunities fund. Mr. Portnoy will inform Hartford of the Committee's decision and have the fund change added to the employee notice. Fund changes are expected to occur in early January.

457 Plan Quarterly Investment Review: Ms. Schackman reviewed the investment performance of each of the investment options in the Plan relative to their respective benchmarks in accordance with the standards outlined in the Investment Policy Statement. Year-to-date performance was reviewed as of close of business on December 3, 2008 due to the volatile market environment that occurred since the end of the third quarter. Evaluation methodology scores were reviewed and it was noted that 17 out of the 36 ranked funds improved their scores from the second quarter. There were 22 funds that received an "Outperform" rank and 14 received a "Perform" rank.

One fund received an "Underperform" rank, Managers Skyline Special Equities, which is scheduled to be removed from the Plan in January.

The Committee reviewed Plan demographics and noted assets as of 9/30/2008 were approximately \$76 million with 48.64% invested in the Hartford General Account which increased from the second quarter from 42%.

New Plan Trustee: Mr. Portnoy commented he received a letter from Hartford stating State Street Bank & Trust is no longer going to provide passive, non-discretionary trustee services. Hartford provided a recommendation to have Reliance Trust Company ("RTC") act as the new trustee and the Committee agreed to have RTC take over the passive trustee services for the Plan. Mr. Portnoy will notify Hartford of the Plan's acceptance of the new trustee.

With no further items to address, the meeting was adjourned at 3:30 pm.

AQMD Deferred Compensation Plan Committee Meeting Minutes

DATE: March 4, 2009
2:30 pm – 4:00 pm

ATTENDEES: Mr. Patrick Pearce - Chief Financial Officer
Mr. Ron Portnoy - Human Resources Manager
Ms. Eudora Tharp - Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Kurt Wiese - General Counsel

GUESTS: Mr. John Campbell - Benefit Funding Services Group
Ms. Tina Schackman - Benefit Funding Services Group

SUBJECT: South Coast Air Quality Management District 457 Deferred Compensation Plan
Investment Review

The meeting was called to order at 2:30 p.m. and the minutes were documented as follows:

Opening: The American Century Capital Preservation fund was added on March 9, 2009. Ms. Schackman will contact Hartford to ensure the equity wash provision can be automatically administered online and through the call center to prevent participants from directly transferring from Hartford's General Account to the money market fund. The fund changes to consolidate the investment line-up occurred in February.

Approval of Prior Meeting Minutes: The Committee approved the minutes from the Committee meeting held on October 16th contingent upon correction of Mr. Wiese's title to General Counsel. Ms. Schackman will make the revision and forward the corrected minutes to Mr. Pearce.

457 Plan Quarterly Investment Review: Mr. Campbell reviewed the investment performance of each of the investment options in the Plan relative to their respective benchmarks in accordance with the criteria outlined in the Investment Policy Statement. Short and long-term performance was reviewed for each option and the following funds were discussed in detail:

Hartford US Government Securities – The fund held large positions in government-backed mortgages (FNMA and Freddie Mac) during 2008 and significantly underperformed its benchmarks which are the Barclays Intermediate Government Bond Index and the Morningstar Intermediate Government Bond category. The fund has also underperformed these benchmarks on a 1, 3, 5 and 10 year annualized basis. Mr. Campbell suggested the Committee place this fund on the "Watch List" and consider replacing if performance does not improve. Ms. Schackman stated she will contact Hartford about the fund's poor performance and get an explanation between the different share classes offered for this fund since the retail version of the fund performed approximately 400 bps better than the share class available in the Plan.

Hartford Total Return Bond – This fund can invest in various sectors of fixed income, such as high yield bonds and bank loans. The fund did not hold a significant position in Treasuries like some of its peers in this category and has underperformed its benchmarks on a 1, 3 and 5 year annualized basis. Mr. Campbell suggested the Committee place this fund on the "Watch List" and consider replacing if performance does not improve.

AllianceBernstein International Value – The fund had an overweight to European banks and consumer stocks which caused it to lag its peer group in the short term. The fund has underperformed its active and passive benchmarks on a 1, 3 and 5 year basis. Mr. Campbell suggested the Committee place this fund on the "Watch List" and consider replacing if performance does not improve.

The Committee agreed to place the Hartford US Government Securities, Hartford Total Return Bond and AllianceBernstein International Value funds on the "Watch List" due to their relative underperformance and requested BFSG prepare a fund search for these categories if performance does not improve in the next quarter.

Evaluation methodology scores were reviewed for the current fund-line up and it was noted there were 20 funds that received an "Outperform" rank and 7 received a "Perform" rank. The Plan weighted evaluation methodology score was down slightly from the last quarter at 28.02%. The Plan weighted expense ratio remained at 71 bps.

The Committee reviewed Plan demographics and noted assets as of 12/31/2008 were approximately \$67.5 million down from assets in the third quarter of \$76 million. Allocation to Hartford's General Account decreased slightly to 42.96%, down from the previous quarter at 48.64%. With the asset decline in the fourth quarter, the decrease in allocation to the General Account could indicate participants have moved monies into other fixed income options. A quarterly comparison of balances in each investment option shows a significant increase in assets to the SSgA Intermediate Bond Index, Hartford Total Return Bond, PIMCO Real Return and Hartford Mortgage Securities.

Asset Allocation Models: The Committee discussed the option of adding asset allocation models to the Plan and agreed to have BFSG prepare a proposal for the models which will include performance backtesting and a list of the underlying funds to be used in the models.

Closing: Mr. Pearce inquired about allocation methods for mutual fund settlement proceeds stating the Plan was in receipt of a check for \$235.92 from MFS. The Committee discussed the various options offered and agreed to allocate the monies back to participants on a pro-rata basis. The Committee requested to discuss the balance of the trust reimbursement account and determine an appropriate allocation method for any excess funds at the next meeting. Ms. Schackman will request the balance of the account from Hartford and prepare a cost analysis for the Committee to review at the next meeting.

With no further items to address, the meeting was adjourned at 4:00 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT DEFERRED COMPENSATION PLAN COMMITTEE

JUNE 9, 2009 MEETING MINUTES

Members Present: Mr. Patrick Pearce - Chief Financial Officer
Mr. Ron Portnoy - Human Resources Manager
Ms. Eudora Tharp - Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Kurt Wiese - General Counsel

Committee Consultants: Mr. John Campbell - Benefit Funding Services Group
Ms. Tina Schackman - Benefit Funding Services Group

1. Call to Order

The regular meeting of the Deferred Compensation Plan Committee was called to order by Rick Pearce on June 9, 2009 at 1:03 pm in Conference Room #CC7.

2. Approval of Prior Meeting Minutes

The minutes from the March 4, 2009 meeting were reviewed by the Committee. Ron motioned to approve the minutes and Eudora seconded the motion. The motion unanimously passed.

3. 457 Plan Quarterly Investment Review – 1st Quarter

John provided a brief market commentary outlining the current economic conditions and market sector returns which set the stage for understanding the performance of the investment options in the Plan. Each of the investment options were reviewed for their relative performance to respective benchmarks. The Committee discussed whether to keep the Hartford U.S. Government Securities, Hartford Total Return Bond and AllianceBernstein International Value funds on the "Watch List" and asked BFSG to prepare a fund comparison for the next meeting to review possible alternatives for replacing one or all of the funds on the list. Ron motioned to keep the funds on "Watch" and have BFSG prepare a fund comparison for the next meeting. Eudora seconded the motion and the motion unanimously passed.

A new fund was added to the Plan last quarter, the American Century Capital Preservation fund. This new option offers participants a money market option which had not been included in the fund line-up previously.

John commented the Plan's current composition was approximately 40% equity and 60% cash and bonds which is considered a very conservative risk profile. The current composition is reflective of many participants moving into a more conservative allocation with over 44% allocated to the General Account.

The Committee reviewed the weighted expense ratio of the Plan at 70 bps and noted it was in-line with BFSG's custom benchmark at 73 bps.

4. Other Business

The Committee discussed the dissemination of printed reports at future meetings and collectively agreed to have black and white handouts available for public attendees. BFSG will conduct future meetings in a Power Point presentation format to accommodate larger audiences.

5. PUBLIC COMMENT

No comments were made regarding the Plan directly; however, one attendee inquired about the impact of the automaker's labor negotiations to union labor wages. Rick responded this was a company specific issue and a macroeconomic perspective would be difficult to ascertain.

6. Adjournment

With no further items to address, the meeting was adjourned at 2:05 pm.