

AGENDA
For the 664th Retirement Allowance Committee Meeting of
June 24, 2004

1. Meeting will be called to order at 8:30 A.M. at the LaSalle Bank, 135 S. LaSalle, 43rd floor, ABC room.
2. Roll call
3. Approval of the Minutes of the 663rd meeting.
4. Investment Subcommittee
No Scheduled Business
5. Real Estate Subcommittee
No Scheduled Business
6. Subcommittee on General Administration
 - a.) Announcements of deaths reported since last meeting.
 - b.) Presentation of pre-retirement surviving spouse allowances for approval.
 - c.) Presentation of new retirement applications for approval.
 - d.) Request for retroactive benefits.
 - e.) List of retirement applications that were revoked.
 - f.) Presentation of death benefits for approval.
 - g.) Presentation of refunds of contributions for approval.
 - h.) Presentation of bills and remittances.
7. Old Business
 - a.) Gabriel Roeder Smith Follow-Up
 - b.) Administration of Arbitration Award
 - c.) Darryl Jones – question of disability allowance eligibility
 - d.) Part-Time union board members
8. New Business
None
9. Executive Session
10. Adjournment

The 663rd Meeting of the Retirement Plan for Chicago Transit Authority Employees

I. Full Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on May 25, 2004 at LaSalle Bank. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at approximately 11:30 a.m..

A roll call was taken indicating that the following members were present:

Dennis Anosike
Marcellus Barnes
John Burkard
Ethel Carter
Carl Lingenfelter
Leon London
Wanda Black as an alternate for Rodney Richmond
Lynn Sapyta
Richard Winston

On a motion by Ms. Sapyta, the Committee approved the minutes of the 662nd meeting of the RAC.

Investment Subcommittee Report

Mr. Winston gave a brief report on the meeting of the Investment Subcommittee, including placing MDL Capital on watch and the presentation by Gray and Company for the 1st quarter of 2004. The report on the Subcommittee meeting was approved on a motion by Ms. Sapyta.

General Administration Subcommittee Report

A brief report was given by Mr. Barnes on the General Administration Subcommittee Meeting. The report of the Subcommittee, including items 6a through 6h was approved by the Subcommittee on a motion by Ms. Black. The same motion also moved items j., k. and l. to the New Business section of the Full Committee agenda.

Real Estate Subcommittee Report

Mr. London gave a brief report on the meeting of the Real Estate Investment Subcommittee, including the report on Year-End 2004 performance by Mr. Steve Burns from the Townsend Group. The report of the Subcommittee was approved on a motion by Ms. Sapyta.

Old Business

There was discussion on item 7a. regarding the administration of benefits following the arbitration award issued last November. Mr. Kallianis and Mr. Burke indicated that the two parties to the agreement had to provide some clarifications with regard to some of the items in the award. Mr. Kallianis and Mr. Burke further indicated that the RAC was not the proper venue to approve the changes to the Plan. The changes had to be done by the parties to the agreement. Mr. Burke stressed the importance of the Plan being amended by the parties to reflect the arbitration award changes.

There was lengthy discussion regarding the part-time union board member issue. Mr. Winston indicated that there was a meeting in his office regarding the matter. Both sides had made proposals that were unacceptable to the other side and there was no agreement reached on the issue.

Mr. Anosike indicated that the item would remain on the agenda and encouraged the people previously involved in the meetings to continue their dialogue.

New Business

On a motion by Mr. London, the items related to Corvel and Allsup were moved to the New Business portion of the agenda.

There was discussion by the Committee on Mr. Daryl Jones and his situation related to disability benefits. On a motion by Ms. Black the Committee voted to hold over the item related to Mr. Jones until the next month so that more information could be gathered with regard to his case. This motion was opposed by Ms. Carter.

On a motion by Mr. Winston, the Committee voted to approve the proposed contract with Allsup, Inc. for disability advocacy and possible recovery of funds from Medicare.

On a motion by Ms. Sapyta, the Committee voted to approve the proposed contract with Corvel for disability management. The Committee also indicated that they would like to review the results from Corvel one year after all of the information necessary to administer the program was in place.

Executive Session

The Committee adjourned to Executive session to discuss litigation related to the Plan.

Upon returning from Executive Session, on a motion by Mr. Winston, the Committee adjourned.

II. General Administration Subcommittee Minutes

A regular meeting of the General Administration Subcommittee was held on May 25, 2004 at the offices of LaSalle Bank. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at 8:45am.

Mr. Barnes presented for approval items 6a through 6i, including the pre-retirement surviving spouse allowances, the regular retirements, revoking of applications, disability allowances, death benefits, refunds of contributions, payment of bills and remittances. Mr. Barnes stated that the total of bills and remittances for the month was \$6,296,128.77.

There was discussion of item 6i. Regarding the disability of Mr. Daryl Jones. After some explanation of the case by staff, it was agreed that this item would be considered at the Full Committee meeting under New Business.

There was a presentation made by Ms. Diane Blaha of the Corvel Corp. regarding the proposal by Corvel to manage the disability program for the Plan.

There was also a presentation made by Mr. David Weiler of Allsup, Inc. regarding Allsup's proposal to act as an advocate for Social Security Disability for the Plan's retirees and to recover monies from Medicare, if possible.

Finally, there was a presentation made by Mr. Alex Rivera regarding the preliminary results for the 1/1/04 Actuarial Assessment. Mr. Rivera indicated that, using the same assumptions that have been made in the past, the Plan would approach a zero funded ratio sometime in 2014. After discussion with the Committee, Mr. Rivera indicated that there were ways to address this issue with changes in the funding policy and benefits related to the plan. The Committee asked Mr. Rivera to work with Mr. Kallianis to come up with some scenarios to show the impact of changes to the funding policy and benefits.

On a motion by Ms. Black, the Subcommittee voted to accept the report and approve the items on the agenda for the General Administration Subcommittee.

III. Investment Subcommittee Minutes

A regular meeting of the Investment Subcommittee was held on May 25, 2004 at the offices of LaSalle Bank. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 10:40 a.m..

There was a presentation by Mr. Ed Taylor, Mr. Paul Oliver and Mr. Matt Friesl from AA Capital regarding a private equity fund that they are raising.

There was a report by Mr. Larry Gray and Mr. Ivory Day from Gray and Company regarding the performance of the Plan for the first quarter of 2004. Mr. Gray indicated that the Plan had a return of 2.5% for the first quarter of 2004. After some further discussion of the

results, the Committee acted on the recommendation of Gray and Company and voted to place MDL on watch, on a motion by Mr. Lingenfelter.

Mr. Kallianis gave the Committee an update on the request for fee reductions. He indicated that responses from all the managers were now in and that the reduction in fees from Mid-Cap, Small-Cap and International Managers amounted to \$56,000 annually.

Mr. Ross then gave the Subcommittee an update on the status of the Fund from the Financial Control Systems report. The Fund earned -1.68% in April of 2004. Year to date, the fund had earned 0.87%. The market value of the Fund at the close of business from the prior day was approximately \$1.307 B.

Mr. Kallianis then passed out the proposed schedule for Trustee Seminars to take place at the Northern Trust Offices.

The report on the Subcommittee on Investments was approved on a motion by Mr. Anosike.

IV. Real Estate Subcommittee Minutes

A regular meeting of the Real Estate Investment Subcommittee was held on May 25, 2004 at the offices of LaSalle Bank. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 11:20 a.m..

Mr. Steve Burns from the Townsend Group gave the Committee an update on the performance of the Real Estate portion of the portfolio as of the end of the year 2003. Mr. Burns indicated that the Plan had a return of 3.1% for the fourth quarter, versus a 2.8% return for the NCREIF property index.

The report on Real Estate was accepted by the Committee on a motion by Mr. Anosike.