

AGENDA
For the 676th Retirement Allowance Committee Meeting of
July 28, 2005

1. Meeting will be called to order at 9:30 A.M. at the LaSalle Bank, 135 South LaSalle, ABC Room, 43rd floor.
2. Roll call
3. Consideration of the Minutes of the 675th meeting.
4. General Administration Subcommittee issues
 - a.) Announcements of deaths reported since last meeting
 - b.) Presentation of pre-retirement allowances for approval
 - c.) Presentation of new retirement applications for approval
 - d.) Request for retroactive disability benefits
 - e.) Return to work from disability
 - f.) Return to work – no job available
 - g.) Election of Deferred Vested Old-Age Retirement Allowance
 - h.) Presentation of death benefits for approval
 - i.) Presentation of refunds of contributions for approval
 - j.) Presentation of bills and remittances
 - k.) Requests to repay refund of contributions
5. Investment Subcommittee Issues
 - a.) Report on Alternative Assets
6. Real Estate Subcommittee Issues

No Business
7. Old Business
 - a.) Dependent health care premiums and coverage
8. New Business
 - a.) Audit results from 2004 (Hill Taylor)

AGENDA
For the 676th Retirement Allowance Committee Meeting of
July 28, 2005

Page 2 of 2

9. Executive Session
 - a.) Personnel matters
 - b.) Litigation

10. Adjournment

The 675th Meeting of the Retirement Allowance Committee of the Retirement Plan for Chicago Transit Authority Employees

Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on June 23, 2005 at LaSalle Bank. The Chairman and the Executive Director were present.

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

Dennis Anosike
Marcellus Barnes
John Burkard
Ethel Carter
Dorval Carter
Carl Lingenfelter (joined the meeting in progress)
Leon London
Rodney Richmond
Lynn Sapyta
Richard Winston

On a motion by Mr. Winston, the Committee approved the minutes of the 674th meeting of the Retirement Allowance Committee.

General Administration Subcommittee Items

Mr. Barnes presented for approval items 4a through 4m., including the pre-retirement surviving spouse allowances, the regular retirements, revoking of applications, disability allowances, death benefits, refunds of contributions and payment of bills and remittances. Mr. Barnes stated that the total of bills and remittances for the month was \$8,061,911.12

On a motion by Mr. Barnes, the General Administration Issues were approved by the Committee, with the exception of items 4d. and 4l. relating to retroactive disability payments and requests for repayments of refunds, respectively. There was no discussion on item 4m., relating to healthcare coverage for surviving spouses.

Real Estate Subcommittee Items

Ms. Sarah Cachat from the Townsend Group presented the Real estate investment results for the first quarter of 2005. She indicated that the Plan had a 3.8% return for the quarter with its real estate investments. She also indicated that the Plan had outperformed its target rate of 5.5% real return over rolling five-year periods by earning 6.0%.

After some additional discussion on specific funds within the real estate portfolio, Mr. Winston made the motion to accept the report, and the Committee approved the motion.

Investment Subcommittee Items

Mr. Gray and Mr. Day from Gray and Company then presented the results for the portfolio for the first quarter of 2005. Mr. Gray gave an overview of the performance of the broad markets. He also indicated that the Plan, being up 0.2% for the quarter, would be in the top percentile of similar plans with that performance for the quarter. The 8.1% performance for the year, versus the Plan benchmark of 6.6%, would put us in the 13th percentile. The three and five year performance puts us in the top half and top quartile of similar plans, respectively.

Mr. Gray discussed the recent performance of MDL Capital Management and the issues that they had with a client in Ohio. He also indicated that MDL had lost about \$800 million in assets under management because a number of clients had withdrawn money from them. On a motion by Mr. Barnes, seconded by Mr. Richmond, the Committee voted to terminate MDL as a manager with the fund.

Mr. Lingenfelter then made a motion, seconded by Mr. Barnes, to direct Gray and Company to make a recommendation to the Committee about how to invest the funds being removed from MDL's management.

Mr. Anosike then spoke about the decision made by the RAC at the last meeting to increase its allocation to alternative investments, including hedge funds and private equity. Mr. Anosike indicated that the Committee's intent was to look for ways to get additional return for the Fund without increasing the risk. Mr. Anosike suggested that the Committee delegate to the Chair and the Vice Chair of the Investment Subcommittee the duty of working with the Executive Director and Gray and Company to identify and invest in appropriate funds, as soon as possible, hopefully by the time the next monthly Committee meeting. On a motion by Mr. Richmond, seconded by Mr. Barnes, the Committee approved the suggestion of Mr. Anosike.

Mr. Kallianis then described the assignment that Dreyfus was seeking to make with the Committee's approval. Dreyfus had several people leave the firm and asked to assign the management of the small cap fund they manage for the Plan to the Boston Company. After some discussion, the Committee approved the assignment on a motion from Mr. Lingenfelter, seconded by Mr. Burkard.

Old Business Issues

There was discussion on the proposed rule on returning to work that dealt primarily with parts of Section 3.7 of the Plan. After this discussion, Mr. Richmond voted to rescind the prior rule that had been passed by the Committee at its December, 2004 meeting. The motion was seconded by Mr. Lingenfelter and approved by the Committee.

Mr. Richmond then made a motion to accept the new rule drafted by BWM&S. This motion was seconded by Mr. Lingenfelter and approved by the Committee. Ms. Carter voted "no" on the motion.

After some discussion on updating the premiums for dependents, Mr. Richmond suggested that a special meeting of the Committee be scheduled to go through the alternatives that Gabriel Roeder Smith had presented to the Committee.

New Business

Gabriel Roeder Smith then presented the actuarial assessment for January 1, 2005. The valuation indicated that the Funded Ratio for the Plan had fallen from 48.5% in 2004 to 39.4% in 2005, primarily due to higher than expected retirements, increased healthcare costs and the realization of negative returns from 2001 and 2002.

There was discussion by GRS about the health care costs related to the Plan and how they were projecting costs for healthcare going forward. Mr. Rivera reminded the Committee about the 401h issue and the fact that the Fund would fail the 401h test in late 2006 or early 2007, based on its remaining balance.

Mr. Rivera then spoke about the Plan's expected return of 9% and indicated that this might be a little aggressive and spoke about some of the testing they had done. Mr. Kallianis then suggested that Mr. Rivera sit with the people at Gray and Company to go over each other's assumptions.

Executive Session

On a motion by Mr. Anosike, the Committee adjourned to Executive Session to discuss specific personnel issues.

Upon returning from Executive Session, on a motion by Mr. Richmond, seconded by Mr. Flores, the Committee voted to approve hiring Mr. London to work as a Pension Representative in the Plan Office. The vote was a roll call vote and Mr. London abstained.

On a motion by Mr. Richmond, the Committee adjourned.