

AGENDA
For the 680th Retirement Allowance Committee Meeting of
November 22, 2005

1. Meeting will be called to order at 9:30 A.M. at the LaSalle Bank, 135 South LaSalle, in the ABC Room, 43rd floor.
2. Roll call
3. Consideration of the Minutes of the 679th 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.) Non-Vested Employees Opting Out of the Plan
 - e.) Return to work from disability benefits.
 - f.) Disability Summary
 - g.) Retirement applications revoked
 - h.) Presentation of death benefits for approval
 - i.) Presentation of refunds of contributions for approval
 - j.) Presentation of bills and remittances
5. Investment Subcommittee Issues
 - a.) Update on Alternative Investments
6. Real Estate Subcommittee Issues
 - a.) Strategy Discussion
7. Old Business
 - a.) Health Care Coverage and 401(h)
 - b.) Rule 21 Regarding Repayment of Contributions
 - c.) Letter to Participants
8. New Business
 - a.) Retro-Active Disability Benefits

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9. Executive Session
 - a.) Litigation
 - b.) Personnel Issues
10. Adjournment

The 679th 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 October 27, 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
Wanda Black as an alternate for Marcellus Barnes
John Burkard
Ethel Carter
Paul Fish as an alternate for Dorval Carter
Carl Lingenfelter
Leon London
Rodney Richmond
Lynn Sapyta
Richard Winston

On a motion by Ms. Sapyta, the Committee approved the minutes of the 678th meeting of the Retirement Allowance Committee.

General Administration Subcommittee Items

Ms. Sapyta presented for approval items 4a through 4k., 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. Ms. Sapyta stated that the total of bills and remittances for the month was \$7,583,952.13.

There was general discussion on the administration of the disability allowance program by Corvel. Ms. Carter indicated that she wanted to be able to see the details of the bills from Corvel each month if she wanted them. Mr. Kallianis indicated that Mr. Barnes had made the same request in the past and that it was not a problem at all. He also indicated that there were now well over 24 people returned to work at their same job at the CTA, the number previously thought to be the break-even point.

Mr. London pointed out that there was a typo in the report indicating that Ms. Wesley-Smith had 41 years of pension seniority.

Mr. Richmond made a motion to approve the report of the Subcommittee, with the correction. The Committee approved the motion.

Investment Subcommittee Items

Mr. Kallianis gave a brief update on the status of the paperwork associated with the hedge fund and private equity managers, indicating that documents were being exchanged and reviewed for each and that he expected that the first investment would take place very soon.

Mr. Burke reminded the Committee that these investments would all be made in conjunction with Committee Directed Account agreements, as they were part of the carved-out portion of the portfolio considered Committee Directed Accounts.

Mr. Lingenfelter noted for the record that when Gray and Company had a proposal together for the overseeing of the hedge fund investments, due to the additional liability, the Committee would consider the proposal.

Real Estate Subcommittee Items

Mr. Winston indicated that there was no business in front of the Subcommittee.

Old Business Issues

Mr. Kallianis gave the Committee an update on the healthcare open enrollment for retirees that was being administered by the CTA. He indicated that the \$100 and \$200 across the board increases were included and that the PPO would include three options, similar to the options offered to the active CTA Employees. He indicated that the enrollment period was a three-week period in November.

Mr. Kallianis also gave the Committee an update on the Medicare Part D application, indicating that the CTA had filed the application successfully on our behalf and that the estimated subsidy for the Plan was \$3M annually due to our benefits exceeding Part D.

Mr. Kallianis also reminded the Committee that he was looking for alternative healthcare plans for retirees in the event we lost our qualified status as a result of failing the 401h subordination test with the IRS. He indicated that the Plan would probably fail the test in 2006 or early 2007, depending on the returns for the Plan in the coming months.

New Business

Mr. Kallianis distributed a package prepared by Gabriel Roeder Smith titled Historical information for the Retirement Plan for CTA Employees. The report contained an historical review of the Plan's funded ratio, the Plan's expected and actual returns and the Plan's benefits versus the contributions made to the Plan.

Mr. Kallianis pointed out to the Committee that the funded ratio had been reported incorrectly in pamphlets titled "Condensed Financial Statements" by the Plan for at least the fifteen years prior to 1995. He indicated that he wanted to dispel the notion that the Plan was more than 100% funded in the past, because it was not.

Mr. Rivera indicated that the pamphlets sent out by the Plan in the past had reported a ratio of assets to liabilities in a way that private companies had traditionally calculated "termination liability measurements". This ratio was inappropriate for the CTA's retirement Plan and did not take into account significant amounts of future liability. Mr. Lingenfelter pointed out that in 1982, the Plan's actuarial report had a funded ratio of less than 70%, but that the funded ratio reported in the Condensed Financial Statement pamphlet was over 130%.

Mr. Rivera also walked the Committee through the portion of the graph on the funded ratios which indicated that the Plan's past actuary had not taken into account healthcare trend until 2002, which also resulted in overstating the Plan's funded ratios.

Mr. Rivera also presented the other graphs in the package including the comparison of actual contributions to actuarial recommended contributions, plotted against the benefits paid out from the Plan. The Committee noted that the required contribution for actuarial purposes for 2004 was approximately \$280 million and that the CTA and the employees contributed approximately \$45 million per the bargaining agreement.

Mr. Rivera then pointed out the third graph displaying the actual returns versus the expected returns for the last 28 years. Mr. Rivera indicated that the Plan had performed well on an historical basis compared to its expected return, and that poor returns were not the cause of the declining funded ratio.

After some further discussion, Mr. Burkard indicated that he'd like to see a letter sent out immediately to all of the participants telling them the history of the Plan and the current status. Mr. Kallianis indicated that he would prepare a draft and distribute it prior to the next meeting for review.

Executive Session

On a motion by Ms. Black, the Committee unanimously voted to go to Executive Session for the purpose of discussing personnel matters.

Upon returning from Executive Session, the Committee reported that it had approved salary increases for certain exempt employees of the Plan.

Ms. Black wanted to be sure that the issue of retroactive disability allowances could be discussed at our next meeting.

On a motion by Ms. Black, the Committee approved an increase to the salary of the Executive Director and the Deputy Executive Director in accordance with the increases recently provided to exempt employees of the CTA.

The Committee adjourned on a motion by Ms. Carter.