

The 685th 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 April 27, 2006 at LaSalle Bank, in the Conference Room ABC. The Chairman and the Executive Director were present.

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

Dennis Anosike
Darrell Jefferson
Michael Simmons
John Burkard
Rick Harris
Darryle West
Ruben Madrigal as alternate for Lynn Sapyta
Paul Fish as alternate for Richard Winston
Paul Sidrys
Carl Lingenfelter

Retirement Allowance Committee membership changes

Mr. Lingenfelter announced the appointment of Paul Sidrys as a permanent member, replacing Mr. Dorval Carter, and Mr. Ruben Madrigal and Luis Cantu as alternates.

On a motion by Mr. Burkard, the minutes of the 684th meeting of the RAC were approved.

General Administration Subcommittee Items

Mr. Simmons presented for approval items 5 (a) through 5 (i), 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. Simmons stated that the total of bills and remittances for the month was \$5,778,706.94.

Mr. Kallianis presented 5 (j) the benefit calculations issues for Ms. Ethel Carter and Mr. Jerry Williams. Mr. Kallianis reported that the Pension Office keeps records of contributions made for full-time and part-time officers of the Locals over the period of time that they work with the Locals. Mr. Kallianis indicated that there are differences between the earnings that have been reported to Pension Office from Local 308 and the W2 earnings for Ms. Carter and Mr. Williams.

At the request of Mr. Harris, Mr. Williams and Mr. Jerry Matthews spoke about the differences between the Pension Office records for them and their W2 earnings.

Mr. Anosike asked Mr. Kallianis to go back with the records and information he has, come back with the Plan Counsel next month with a set of recommendations on how these individuals' issues can be resolved.

On a motion by Mr. Burkard, the Committee approved the General Administration Subcommittee report.

Investment Subcommittee Items

Mr. Lingenfelter asked Mr. Kallianis to bring in the people from AIG to speak about Item 5a.. Mr. Ed Taylor and Mr. Ed Robie from Ethan Bradley Advisors and Mr. Dorrow from AIG Global Investment Group presented information to the RAC.

Mr. Dorrow gave a presentation on Private Equity Portfolio IV and explained the advantages of not having to pay the management fees and how AIG also invests their own company's assets in the exact same funds they presented to the committee. Mr. Dorrow indicates that, on a Private Equity Fund with AIG, the minimum investment is \$10 million, but they would waive the minimum investment.

Mr. Andrew Kelsen with Gray and Company gave the Committee an update on Hedge Fund Investments. Mr. Kelsen reported that, at the conclusion of the first quarter, \$56,100,000 was committed to this portfolio. The portfolio had a year-to-date return of 4.66% for the quarter, and an annualized return of 19.55% with a 2.64% standard deviation. Mr. Kelsen indicated that the portfolio is performing as advertised, and we've invested in five fund-to-funds within the portfolio.

Mr. Kelsen also gave an update on the Centrix Loan Participation fund that was originally committed to last summer. After Hurricane Katrina, Centrix was forced by FASB rules to take write down on their portfolio, even though every loan was insured. This changed the complexion of the fund and Mr. Kelsen felt that with this change in the investment thesis that the RAC should consider rescinding their commitment to Centrix. The next fund in line on the list of recommended funds was the Aladdin MAST Fund. Mr. Kelsen indicated that they are very confident in Aladdin's abilities to deliver to the Plan. Mr. Kelsen further indicated that Gray would recommend them as a substitute for the allocation to Centrix.

On a motion by Mr. Lingenfelter, the Committee approved the switch from Centrix to Aladdin, subject to the consent of the Chairman and Vice-Chairman of the Investment Subcommittee and the Executive Director.

Mr. Kelsen submitted the Gray and Company Advisory proposal on the additional monitoring of the Hedge Funds and Private Equity. Mr. Lingenfelter indicated that the Committee would take action on the proposal next month.

On a motion by Mr. Harris, the Committee approved the Investment Subcommittee report.

Real Estate Subcommittee Items

Mr. Burns from the Townsend Group spoke on a communication dated April 10, 2006 to Mr. Kallianis from DV Urban Realty. The letter suggested that they intend to close with \$75 million instead the originally estimated \$100 million target. Mr. Burns indicated that the RAC had committed to deploy \$3 million if DV Urban raised a \$100 million fund. Mr. Burns did explain to the Committee that there would be some additional risk with the investment in the fund as they had less capital to deploy, but that another of their clients had agreed to the reduced total fund amount. Mr. Burns recommended that the Committee allow the request and continue with the commitment.

On a motion by Mr. Harris, the Committee approved Mr. Burns's recommendation.

Old Business Issues

Mr. Kallianis distributed a list of the participants whose net benefits were less than \$200 per month. He indicated that the list included retirees, surviving spouses and people on disability and that some people on the list had negative net benefits due to the reductions for medical and dental benefits. Mr. Jefferson asked Mr. Kallianis if the negative benefits indicated that those people had to pay the Plan the difference on the benefits. Mr. Kallianis indicated that this was the case. After some discussion by the Committee, Mr. Jefferson indicated that this would be a topic of discussion at labor negotiations.

Mr. Kallianis asked Mr. Means to report on the status of the refunds of contributions. Mr. Means reported that to date, there have been six people who have paid back their refunds with interest for a total of \$169,433.81. Out of those six, two have retired.

Mr. Kallianis pointed out to the Committee that in their package is a breakdown of people on disability and a chart on the cost and approximate savings to date.

New Business

None.

Executive Session

There was a roll call vote to go into Executive Session to discuss personnel matters and litigation. The roll call vote was unanimous.

Full RAC Meeting

Upon returning from Executive Session, the Committee approved a motion by Harris to pay the Cobra medical premiums for Mr. Kelso until the technical difficulty at the CTA can be cleared up and Mr. Kelso can be added to the insurance again.

The Committee also approved a motion by Mr. Jefferson, amended by Mr. Burkard, to approve the back pay requests of former Plan employees Tom Collins and Leonard Morris. Mr. Burkard amended the motion to indicate that the figures for back pay should be double checked by the Executive Director to verify the amounts.