

RETIREMENT PLAN FOR CTA EMPLOYEES

10 SOUTH RIVERSIDE PLAZA

SUITE 1625

CHICAGO, ILLINOIS 60606

(312) 441-9694

NOTICE

TO: Retirement Allowance Committee Members and Alternates

FROM:



John W. Kallianis
Executive Director

DATE: February 18, 2002

RE: RETIREMENT ALLOWANCE COMMITTEE MEETING

This is to announce that the meetings listed below will be held Tuesday, February 26, 2002, at the Northern Trust Company, 50 S. LaSalle Street, in the Director's Dining Room on the 6th floor. The agenda for the full Retirement Allowance Committee Meeting is attached.

- The Subcommittee on General Administration at 8:30 A.M.
- The Investment Subcommittee will immediately follow the Subcommittee on General Administration.
- The Real Estate Subcommittee will immediately follow the Investment Subcommittee.
- The Retirement Allowance Committee Meeting will immediately follow the Real Estate Subcommittee.

If you have any questions on the agenda, please call me at (312) 463-0350.

JVK:gmb
attachment

AGENDA
For the 637th Retirement Allowance Committee Meeting of
February 26, 2002

1. Meeting will be called to order at 8:30 A.M., Northern Trust Co., 50 South LaSalle Street, Directors' Dining Room, 6th floor.
2. Roll call
3. Approval of the Minutes of the 636th meeting held January 22, 2002.
4. Investment Subcommittee
 - a.) D N Partners Presentation
 - b.) Joint 2001 Year End Report with Investment Subcommittee
5. Real Estate Subcommittee
 - a.) Joint 2001 Year End Report with Investment Subcommittee
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.

Daryl McClure #13382 applied for disability allowance effective 03-01-02 and is requesting retroactivity to 02-01-02.

Verna Starks #25274 applied for disability allowance effective 03-01-02 and is requesting retroactivity to 02-01-02.

Brenda Nelson #29020 applied for disability allowance effective 03-01-02 and is requesting retroactivity to 06-01-01.

Joel Windham #17753 applied for disability allowance effective 03-01-02 and is requesting retroactivity to 02-01-02.

Fernando Campos #5917 applied for retirement benefits effective 02-01-02 and revoked his application.

Doris J. Ray #13470 applied for retirement benefits effective 02-01-02 and revoked her application.

Celia A. Carrasquillo #23725 returned to work from disability effective 01-21-02.

Darryl H. Jones #26515 termination of disability allowance benefits for failure to comply with requests for medical exams.

AGENDA
For the 637th Retirement Allowance Committee Meeting of
February 26, 2002

Page 2 of 2

Ronald J. Kornfeind #11854 applied for a Disability Allowance for March 1, 2002. In accordance with Article 12.1.b, Mr. Kornfeind is ineligible. At the time of becoming disabled, Mr. Kornfeind did not have sufficient continuous years of service.

- d.) Presentation of death benefits for approval.
- e.) Presentation of refunds of contributions for approval.

Lillian Radivojevich #25148 resigned on 08-21-01 and vested her contributions and interest.

Larry Sonnamaker #19583 resigned 02-26-93 and vested his contributions and interest effective September, 2001.

- f.) Presentation of bills and remittances.

7. Old Business

- a.) Part-time union officials
- b.) Retiree Health Care Administration
- c.) Pre versus Post-tax employee contributions

8. New Business

9. Executive Session

10. Adjournment

432
20

The 637th Retirement Allowance Committee Meeting for the Retirement Plan for Chicago Transit Authority Employees.

I. Full Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on February 26, 2002 at The Northern Trust. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at approximately 10:00 a.m..

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

Dennis Anosike
Marcellus Barnes
Lee Robinson as an Alternate for Wanda Black
Loid Brown
Claudette Ogletree
Lynn Sapyta
Jerry Williams
Richard Winston

On a motion by Mr. Barnes, the minutes of the 636th meeting were approved.

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 6f, with the exception of the item related to Ronald J. Kornfiend (11854) within item 6c., on the subcommittee agenda, which dealt with various benefits, bills and remittances was approved on a motion by Mr. Winston. The item related to Mr. Kornfiend was removed from consideration so that more information regarding his application could be obtained.

Investment Subcommittee Report

Mr. Winston gave a brief report on the joint meeting of the Investment Subcommittee and the Real Estate Subcommittee, including the presentation by John Dancewicz of DN Partners, the year end reports of Gray and Company and The Townsend Group and the financial report given by Mr. Ross. The report on the joint Subcommittee meeting was approved on a motion by Mr. Brown.

Real Estate Subcommittee Report

The year end report in front of the Real Estate Subcommittee was reported out at the Investment Subcommittee meeting.

Old Business

Mr. Kallianis passed out a letter he had received from Jerry Matthews of Local 308 the day before. The letter was requesting that the Committee overturn the arbitrator's ruling regarding part time union earnings. On a motion by Mr. Williams, the Committee voted to reject the request of Mr. Matthews and respond to him in writing.

Mr. Kallianis then gave the Committee a status on the administration of health care benefits for retirees. He reported that it was agreed by the Retirement Plan and the Benefit Services Department that Benefit Services would be responsible for the administration of benefits for all retirees beyond the initial set up at retirement. He further stated that there should be something like a memorandum of understanding between the CTA and the Retirement Plan regarding the administration of benefits and the setting of premiums. He also indicated that there would be a letter sent to retirees informing them of the change in administration.

Mr. Virgil then gave the Committee an update on the pre-tax versus post-tax contributions of salary towards the Pension Fund. He reported that there had been work on this topic done by his firm for the Committee in the past and that, with a labor agreement and CTA Board approval, it could be done. The Committee then asked questions of Mr. Virgil regarding the practical effect that a change would have on employees. Mr. Anosike indicated that he would wait to see what the labor members wanted to do with regard to this item.

New Business

There was no new business.

The Retirement Allowance Committee meeting was adjourned at approximately 9:45 a.m. on a motion made by Mr. Brown.

Executive Session

There was no need for Executive Session.

II. General Administration Subcommittee Minutes

A regular meeting of the General Administration Subcommittee was held on February 26, 2002 at The Northern Trust. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at 8:45 a.m..

Mr. Barnes presented for approval items 6a through 6f, including the pre retirement surviving spouse allowances, the regular retirements, disability allowances, death benefits, refunds of contributions and payment of bills and remittances. The item related to Mr. Ronald J. Kornfiend (11854) was removed from the agenda so that more information regarding Mr. Kornfiend's application for disability allowance

could be obtained. Mr. Barnes stated that the total of bills and remittances for the month was \$4,427,592.86.

On a motion by Mr. Winston, the various benefits, bills and remittances including items 6a through 6f were approved for payment by the Subcommittee.

The Subcommittee on General Administration was adjourned on a motion made by Mr. Williams.

III. Investment Subcommittee Minutes

A regular meeting of the Investment Subcommittee was held on February 26, 2002 at The Northern Trust. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 9:10 a.m..

Mr. John Dancewicz from DN Partners gave a report on DN Partners, L.P. Private Equity Fund. Mr. Dancewicz explained that the fund had its final closing in December, 1999 at \$21.2M. The focus of the fund is primarily middle market, Midwestern buyouts, including manufacturing, industrial, and some telecom.

Mr. Dancewicz explained that, in the current environment, banks are tight with credit and there aren't as many deals getting done because of this. He went on to say that multiples for buying firms have come down to a point that has not been seen since the 1970's.

Mr. Dancewicz outlined the investment in Heli, a helicopter tour company doing business at the Grand Canyon and in Hawaii. He indicated that the initial investment of \$1.1 M had been written down to \$1,000 due to complications in the Grand Canyon operation and the aftermath of the terrorist attacks on September 11, 2001. Many of the European airlines, which provide a great number of Heli's customers, had stopped flying to the U.S. during the last six months and this had hurt business.

Mr. Dancewicz also talked about the recent \$2M investment in the purchase of Primeco. He indicated that he thought the overall purchase price of \$400 M would allow for a nice profit to be made, as the firm had been valued at almost \$1.2B in the recent past. He said there were about 8 competitors in the market who they have had formal and informal discussion with about selling Primeco, but no agreement had been reached.

Mr. Dancewicz then spoke about some of the other types of opportunities that they were looking at and again indicated that he thought this would be a good time for buyers because of the smaller multiples being sought by the sellers.

The Committee then heard the 2001 year-end report from Gray and Company on the overall economy and then the specifics of the Plan. Mr. Gray indicated that unemployment numbers worldwide were on the rise and that you'd have to go back to

1973-74 to see similar market conditions in the U.S.. Mr. Gray indicated that he thought the portfolio was in a better position to weather that kind of storm because of the changes we had made over the last year.

Mr. Gray indicated that the Total Plan versus the Plan benchmark was off, but that he was not overly concerned about the performance because the market conditions in 2001 were so poor overall. Mr. Gray also indicated that the firm lost about \$2.9M on Enron through various managers.

Mr. Gray then highlighted the performance of several managers for the year including MDL, Ariel and Dreyfus.

Mr. Gray then handed out a Wilshire report that compares performance of public funds, regardless of size, risk or asset allocation. He indicated that in the longer term the CTA fund compared well, but more recently it had fallen below average. He cautioned the committee that the lack of size, risk and asset allocation made the overall comparison tougher. Mr. Anosike then asked Mr. Gray to look into the CTA's overall performance compared to the 3 year Wilshire universe.

Mr. Kallianis then pointed out that the overall "blended" Plan Policy contained 10% NAREIT versus the NCREIF index and that may have adversely affected the comparison. He indicated that he had conversations with Steve Burns at The Townsend Group and that Steve was going to follow up with Gwelda Swilley Burke at Gray and Company on this issue.

Mr. Kevin Lynch from the Townsend Group then gave an update to the Committee on the 2001 performance of the Real Estate portion of the portfolio. He indicated that the performance was better on the income side than the valuation side because the overall economy was suffering and that some of the underlying properties in the funds we've invested in have been written down, but are still producing income.

He indicated that the change from holding properties directly to our current method of diversifying our real estate portfolio among many limited partnerships has helped our performance. He said that the fund was diversified well across property types and across geographic locations.

Mr. Lynch then indicated that his firm was paying close attention to two of the managers in our fund - RREEF and Paine Webber, because they are both in the process of being sold. Nothing had been finalized with either sale, but he promised to report back to the Committee as events unfold with each possible sale.

Mr. Kallianis then spoke to the Committee about the finalization of the investment policy, adopting all of the changes that had occurred in the past year with respect to Committee Directed Accounts, etc.. Mr. Kallianis proposed that the information

regarding the Investment Policy and the next asset allocation be brought to the next meeting for consideration.

Mr. Winston then asked Mr. Ross to give a brief financial report. Mr. Ross reported that the balance of the fund was \$1,647,585,176. The monthly return for January 2002 was -.94% with a year to date return of -.94%.

The Subcommittee on Investments was adjourned on a motion made by Mr. Brown.

IV. Real Estate Subcommittee Minutes

The Real Estate Subcommittee was reported on during the Investment Subcommittee minutes, as the meeting was a joint meeting between the two committees.

Executive Director

Chairman