

AGENDA
For the 662nd Retirement Allowance Committee Meeting of
March 25, 2004

1. Meeting will be called to order at 8:30 A.M. at the LaSalle Bank, 135 S. LaSalle, on the 43rd floor, room ABC.
2. Roll call
3. Approval of the Minutes of the 661st meeting.
4. Investment Subcommittee
 - a.) Updates on Fee Reduction Requests
5. Real Estate Subcommittee
 - a.) 4th Quarter, 2003 Report
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.) List of retirement applications that were revoked.
 - e.) Presentation of death benefits for approval.
 - f.) Presentation of refunds of contributions for approval.
 - g.) Presentation of bills and remittances.
7. Old Business
 - a.) Corvel Corporation Proposal
 - b.) Allsup, Inc. Proposal
 - c.) Administration of Arbitration Award
 - d.) Part-time Union Board Members
8. New Business
9. Executive Session
10. Adjournment

The 661st 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 February 26, 2004 at LaSalle Bank. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at approximately 11:15 a.m..

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

Dennis Anosike
Marcellus Barnes
John Burkard
Ethel Carter
Paul Fish as an alternate for Dorval Carter
Carl Lingenfelter
Leon London
Lynn Sapyta
Richard Winston

On a motion by Mr. Barnes, the Committee unanimously approved the nomination of Mr. Richmond to the Chair of the Committee, replacing Javier Perez.

General Administration Subcommittee Report

A brief report was given by Mr. Barnes on the General Administration Subcommittee Meeting. After a brief discussion on how the minutes are kept and the transcripts of the meeting, the report of the Subcommittee, including items 6a through 6g was approved on a motion by Ms. Sapyta.

Investment Subcommittee Report

Mr. Winston gave a brief report on the meeting of the Investment Subcommittee. The report on the Subcommittee meeting was approved on a motion by Mr. Winston.

Real Estate Subcommittee Report

(There was no business to report for the Real Estate Subcommittee.)

On a motion by Ms. Sapyta, the Committee then approved the minutes of the January, 2004 meeting.

Old Business

There was lengthy discussion on items 7a and 7b on the agenda under Old Business regarding the administration of the Disability Allowance Program within the Plan. After the discussion, the Subcommittee approved a motion by Ms. Carter to defer consideration of the Allsup proposal until the next meeting. The Subcommittee then approved a motion by Mr. Burkard to defer consideration of the Corvel proposal until the next meeting as well.

There was then a lengthy discussion on item 7d regarding Part Time Union Board members. There was an update given regarding some of the meetings that had occurred since the December 2003 meeting. There was no action taken on the matter.

Ms. Carter then inquired about the benefits for Mr. Wade and the payment of people with Qualified Domestic Relations Orders.

New Business

There was no new business.

Executive Session

There was no executive session.

On a motion by Ms. Carter, the Committee adjourned.

II. General Administration Subcommittee Minutes

A regular meeting of the General Administration Subcommittee was held on February 26, 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 8:45 am.

Mr. Barnes presented for approval items 6a through 6g, 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 \$10,360,004.75

On a motion by Ms. Sapyta, 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 February 26, 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 9:05 a.m.

The Investment Subcommittee then briefly delayed the business on the agenda so that the new members and alternates recently appointed to the Committee could be introduced.

Mr. Kneeland Youngblood and Mr. D. Robert Crants from Pharos Capital Partners then came in to give the Committee an update on their investment activity with regard to the Pharos Fund, a private equity fund in which the Plan is a limited partner.

Mr. Youngblood also gave the Committee an introduction to the Pharos II Fund that they were in the process of forming. He indicated that they would use the same people and strategy and that they were pursuing funding from the Small Business Administration as well.

Mr. Ivory Day from Gray and Company then gave the Committee a report on the performance for fourth quarter of 2003 and the full year results for 2003. Mr. Day indicated that the Fund earned a gross return of 22.4% for the year ending 12/31/04 and that it had surpassed the benchmark for the fund of 18.7%.

Mr. Day also spoke to the Committee about some of the small and mid-cap managers that had not achieved returns on par with their indexes. He indicated that a common issue for these managers had been that many of the stock in the indexes had little or no earnings or that they were otherwise unattractive to them, but they were included in the indexes.

Mr. Day then updated the Committee on the Large Cap fee reduction process that we had just completed and also about the study that he had done on our behalf of the plan with regard to active versus passive management with our large cap managers.

Mr. Kallianis also indicated that, at the request of the Committee, the same request for fee reductions was being made of the mid, small, international and fixed-income managers as well.

Mr. Day then provided the Committee with the results of the due diligence work that Gray and Company did on Hopewell Ventures on the Plan's behalf. Mr. Day indicated that Hopewell Ventures was a venture capital firm that would focus on the Midwest US market, which was historically underserved in the private equity area.

Mr. Day further indicated that Hopewell Ventures already had commitments totaling \$30M from six institutional investors including CitiGroup, National City Bank, the Illinois State Board of Investments, the Teachers Retirement System of Illinois, the Central Illinois Laborers Fund and the Service Employees International Union Pension Fund. In addition to the six institutional investors, the fund was in the process of getting a license from the Small Business Administration that would make them a Small Business Investment

Company (SBIC) and allow them to leverage the commitments made by other limited partners. The SBA would put a cap on their return and the limited partners would share in any returns above that cap.

On a motion by Mr. Barnes, the Investment Subcommittee approved a \$5M investment in the Hopewell Ventures Fund.

Mr. Ross then gave the Subcommittee an update on the status of the Fund from the Financial Control Systems report. The Fund earned 1.42% in January of 2004 versus a -1.67% in the same month last year. The market value of the Fund at the close of business from the prior day was approximately \$1.374B.

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

IV. Real Estate Subcommittee Minutes

There was no business scheduled for the Real Estate Subcommittee.