

AGENDA
For the 674th Retirement Allowance Committee Meeting of
May 26, 2005

1. Meeting will be called to order at 9:30 A.M. at the LaSalle Bank, 135 South LaSalle.
2. Roll call
3. Consideration of the Minutes of the 673rd 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.) Returned to work from disability
 - f.) Suspension of benefits for violation of 12.4
 - g.) Return to work – no job available
 - h.) List of retirement applications that were revoked
 - i.) Presentation of death benefits for approval
 - j.) Presentation of refunds of contributions for approval
 - k.) Presentation of bills and remittances
 - l.) Requests for repayment of refunds
5. Investment Subcommittee Issues
 - a.) Asset Allocation
 - b.) Large Cap Re-allocation/Transition
6. Real Estate Subcommittee Issues
No Business
7. Old Business
 - a.) Proposed Rule on Return to Work
 - b.) Health Care Premiums

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- 8. New Business
- 9. Executive Session
 - a.) Disability Cases
 - b.) Thomas Connelly request
- 10. Adjournment

The 673rd 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 28, 2005 at Amalgamated Bank. The Chairman and the Executive Director were present.

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

Dennis Anosike
Willie Means as an alternate for Marcellus Barnes
John Burkard
Hector Flores as an alternate for 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 672nd meeting of the Retirement Allowance Committee, with Mr. Burke's clarification that item 4j, a request by Thomas Connelly, was deferred until the following meeting.

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 \$6,359,888.78

There was lengthy discussion at the Committee regarding item 4d, retro-active disability benefit requests. There was a desire by the Committee to close any loopholes, if there are any, with regard to people applying for disability benefits some time after they were eligible to apply. On a motion by Mr. Winston, the Committee voted to defer the issue to the Executive Session at the next RAC meeting.

There was also discussion on people found fit to return to work with no job available. There was concern among some Committee members that we are continuing to pay people disability benefits when they are no longer disabled. After some discussion, the

Committee agreed to make that part of the discussion at the next Executive Session, but we would be discussing specific medical information.

On a motion by Mr. Anosike, the General Administration Issues were approved by the Committee, with the exception of items 4d. and 4k., regarding retro-active disability payments and Thomas Connelly's request, respectively.

Investment Subcommittee Items

Mr. Lingenfelter spoke briefly on the discussion that took place at the special meeting of the Investment Subcommittee. He indicated that some additional discussion had taken place on the asset allocation, but that there were no action items on the agenda for consideration.

Mr. Lingenfelter then asked Mr. Kallianis to talk about the transition of money from the terminated large-cap managers. Mr. Kallianis indicated that the recommendation of Gray and Company was to keep the same percentage of assets in large cap and that the movement of money from the large cap managers to Exchange Traded Funds (ETFs) and then back to the remaining large cap managers would be unnecessary.

Mr. London then asked Mr. Kallianis to talk about the letter he had received from AA Capital. Mr. Kallianis indicated that he received a letter as he was walking out the door from Paul Oliver at AA Capital and that AA's Limited Partners in their first fund were willing to allow the CTARP in the fund if interest was paid to the LP's.

Real Estate Subcommittee Items

Mr. Kallianis and Mr. Winston spoke about meeting with Steve Burns to update the Committee on the investments that were nearing the end of their terms. Mr. Kallianis also indicated that Mr. Burns would be in to talk to the Committee about the Prudential fee increase with regard to PRISA and to walk the Committee through Townsend's recommendation.

Old Business Issues

Mr. Collins gave the Committee a brief update on the retro-active benefits being paid to beneficiaries and estates of people who had died after 1/1/2000, but before the date of the last arbitration award.

Mr. Kallianis indicated that there were discussions ongoing on the "Return to Work" rule and requested that the issue be deferred until the next meeting.

Mr. Kallianis explained that Mr. Barnes would like to do a disability management update outside of the regular RAC meeting at that he would work with Mr. Barnes and Ms. Sapyta to schedule a meeting.

Mr. Alex Rivera from Gabriel Roeder Smith then brought information to the Committee regarding Section 401h of the Internal Revenue Code and how it applied to the Plan. Mr. Rivera explained that Section 401h of the Code required the Plan to provide pension benefits primarily to the participants in the Plan and that health benefits provided by the Plan must be subordinate to the pension benefits. Mr. Rivera went on to explain that there are three primary ways to determine whether the Plan meets the requirements of Section 401h. He indicated that we currently pass the tests related to 401h, but that the Plan would fail the test some time during 2006 barring any changes.

Mr. Lingenfelter indicated that it looked like the Plan needed to come up with an additional \$80M for 2007 and asked Mr. Burke what the consequence of non-compliance with 401h would be for the Plan. Mr. Burke indicated that the result could be the removal of the tax-favored status of the Plan.

Mr. Richmond indicated that this was an issue that had been around since the 1960's and that the Plan had to make the changes for healthcare regardless of the 401h issue.

New Business

Mr. Chuck Johnson asked about the HMO and PPO premiums and about a member visiting a PPO hospital if they were in an HMO.

Ms. Carter asked about an open-enrollment for retirees and indicated that she had been bombarded with calls regarding the issue. Mr. Richmond indicated that he had been talking to the CTA and that they were close to an agreement on timing. He tentatively said that the CTA would probably to an open enrollment for retirees during the summer of 2005.

Executive Session

There was no Executive Session.

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