The 684th 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 March 23, 2006 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
Darrell Jefferson
Wanda Black as alternate for Michael Simmons
John Burkard
Paul Fish as alternate for Dorval Carter
Rick Harris
Larry Muhammad as alternate for Darryle West
Lynn Sapyta
Richard Winston
Carl Lingenfelter

Mr. Kallianis stated, for the record, the current chairs and vice-chairs of each subcommittee previously approved by the RAC

- General Administration Subcommittee: Chairperson Mike Simmons and Vice-Chairperson Lynn Sapyta.
- Real Estate Subcommittee: Chairperson Richard Winston and Vice-Chairperson Rick Harris.
- Investment Subcommittee: Chairperson Carl Lingenfelter and Vice-Chairperson Darryle West.

On a motion by Mr. Fish, the minutes of the 683rd meeting of the RAC were approved.

General Administration Subcommittee Items

Ms. Sapyta 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. Ms. Sapyta stated that the total of bills and remittances for the month was $5,909,418.36.

Investment Subcommittee Items

Mr. Lingenfelter directed Ivory Day from Gray and Company to report on the fourth quarter investment performance.

Mr. Day reported that overall the Plan fund did very well since the market downfall in 2000. The equity markets have reached the levels that they had back then. Equity did very well in small and mid caps, but not so well in large caps. The Plan return for last year was 9.2 percent; it was better than the Plan's benchmark which was 6.2 percent. International equity was at 10.2 percent, fixed income was much lower, Domestic Fixed income returned 3.5 percent for the year, Stable Value returned 4.3 percent, Real Estate 24.9 percent and private Equities contributed positively to Plan returns.

Mr. Day also reported that last year, the Financial Accounting Standards Board (FASB) made a ruling on stable value funds. Effective January 15, 2006 a stable value fund can no longer accept new money from a defined benefit plan. The stable value asset class was introduced to your Fund in 2000 to protect against rising interest rates and to allow the Plan to keep a higher percentage of assets in equities. The stable value fund reduced the volatility of the Fund overall, therefore the Plan could hold more stocks with less risk.

Mr. Lingenfelter suggested that, with this ruling, the RAC may need to rethink how the hedge funds and stable values fit together in the portfolio.

Mr. Day indicated that he had spoken with other organizations that are not in the stable value business to ask if they could develop some products that might emulate what you get from stable value.

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

Real Estate Subcommittee Items

Mr. Winston called the Real Estate subcommittee to order and had Ms. Cachat give the report.

Ms. Cachat reported on the performance and status of the core funds search. At the end of the fourth quarter, the portfolio had a market value of $151.4 million. The performance benchmark is a 5.5 percent net real return over rolling five-year periods. This quarter, the Plan returned 8.4 percent on a rolling five year period as well. The stable sector almost matched the NPI. In the enhanced space, TA Fund V generated a 17.4 percent return, and the high return portion of the asset class generated a 9.9 percent return. RREEF Ven Cap is definitely in the final stages of liquidation and Stockbridge is also winding down. Walton Street experienced heavy value gains for the quarter and by the end of 2005, the fund returned 102% of the Plan's original capital.

Ms. Cachat reported that, in terms of the core search, the RAC had expressed an interest in pursuing a core plus opportunity from Capri and that Townsend was still waiting for some information from Capri to complete their review.

On a motion by Ms. Sapyta, the Committee approved the Real Estate Subcommittee report.

Old Business Issues

Mr. Kallianis said that Mr. David Weiler from Allsup had a personal issue and could not attend the meeting as scheduled. Mr. Kallianis went on to report that Allsup was hired in July of 2004 and that Allsup work's on behalf of the Plan and individuals who have become disabled to obtain SSDI benefits and to facilitate their enrollment in Medicare as their primary insurer. To date, there have been approximately 250 people who have been identified as SSDI, and therefore, Medicare eligible. Mr. Kallianis indicated that the estimated annual health care costs per disabled retiree are between $10,000 and $12,000 a year. By enrolling the people Medicare primary, the Plan would save about 71 percent of the cost. Annually, the total savings for 250 people would be approximately $1.8 million a year.

Mr. Kallianis reported that Mr. West, at the last RAC meeting, had asked about the dependent premium increases and how they affected certain retirees. In some cases, the increases that were put in place resulted in retirees having to reimburse the Plan for health premiums as their benefits do not cover the cost of the premium. Mr. West wanted to make sure the committee was aware of that situation. Mr. Jefferson indicated that he would like the Committee to go back and take a look at these people who are now paying more than their benefit and make the adjustments to those that need to be adjusted. Mr. Kallianis was asked to provide more information on those people who are in this situation for the next meeting.

Mr. Kallianis stated that the 401h issue had not changed significantly from the prior month.

Mr. Kallianis also spoke on the repayment of refunds. The Plan had 64 people apply, and 18 of those had been deemed eligible to participate. Mr. Means and Mr. Virgil went through each one of the applications and files. Those people that had been eligible were sent a letter with the amount they would have to repay. The remaining 46 people had resigned or left voluntarily and came back to the CTA and were not eligible.

Mr. Kallianis also reported that the State Legislature had mandated an audit of the CTA and the Retirement Plan by the Auditor General of the State of Illinois. The State apparently wants to do an analysis of the Plan and validate the information provide by GRS that the Plan will run out of money by 2012. Mr. Kallianis indicated that he would attend a meeting today at 11:30 am and would report back to the Committee members.

Executive Session

There was no Executive Session

The Committee was adjourned on a motion by Ms. Black.