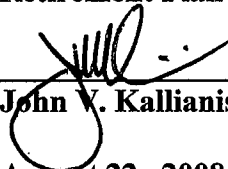


Retirement Plan for CTA Employees

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TO: Board of Trustees
Retirement Plan for CTA Employees

FROM: 
John V. Kallianis, Executive Director

DATE: August 22, 2008

RE: Board Meeting for August, 2008

This is to announce that the Board of Trustees Meeting will be held Thursday, August 28, 2008, at 9:30 a.m., at the National City Bank, 1 North Franklin on the 24th floor.

Attached is the agenda for the meeting.

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

JVK:gmb

AGENDA
Retirement Plan for CTA Employees – Board of Trustees
August 28, 2008

1. Meeting will be called to order at 9:30 a.m., at the National City Bank, One North Franklin, on the 24th floor.
2. Roll call
3. Consideration of the Minutes of the July meeting of the Retirement Allowance Committee and the meeting of the Board of Trustees.
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.) Return to work from disability allowances
 - e.) Retirement applications revoked
 - e.) Presentation of death benefits for approval
 - f.) Presentation of refunds of contributions for approval
 - g.) Presentation of bills and remittances
 - h.) Bernardino Juarez 13463 B1/2 Option
 - i.) Larry Pianto Application
5. Investment Subcommittee Issues
 - a.) Investment of Bond Proceeds
6. Real Estate Subcommittee Issues
 - a.) Investment of Bond Proceeds
 - b.) DV Realty Advisors Amendment
7. Old Business
8. New Business
 - a.) Part Time Union Officer
9. Executive Session
10. Adjournment

The 5th Retirement Plan for CTA Employees

Board of Trustees

10 S. LaSalle Street
Suite 1100
Chicago, IL 60603

Meeting Minutes

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on August 28, 2008 at One North Franklin Street, 24th Floor. The Chairman and the Executive Director was present.

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

Dennis Anosike
John Burkard
Donald Franklin
Rick Harris
Dan Lurie for Ms. Mintle
Gia Morris
Lynn Sapyta
Paul Sidrys
Michael Simmons
Dan Hrycyk for Darryle West

Appearing on behalf of the Retirement Plan was Richard Burke, of Burke, Warren, MacKay, & Serritella.

On a motion by Mr. Anosike, the minutes of the 4th Retirement Plan for CTA Employees Board of Trustees meetings were approved.

General Administration Subcommittee Items

Mr. Simmons presented for approval items 4 (a) through 4 (h), including the death reports since last meeting, pre-retirement allowances, new retirement applications, return to work from disability allowance, disability summary, election of deferred vested old age retirement allowance, death benefits, refunds of contributions, bills and remittances, and the cash flow statement. The total amount of bills and remittances including federal income tax for the month was \$6,663,054.88.

Mr. Simmons reported that the following people revoked their applications:

Rimantas Dirvonis, Badge # 24679 - applied for retirement benefits effective 08/01/2008 and revoked his application.

Thomas Lynch, Badge #35166 - applied for retirement benefits effective 08/01/2008 and revoked his application.

Mr. Simmons reported that the following person elected a survivor option before the deadline:

Bernadino Juarez, Badge #14363, - applied for regular retirement for July 1st, 2008. Subsequent to the approval and prior to July 31st, 2008, Mr. Juarez elected a B and a half option.

On a motion by Mr. Burkard, the Board of Trustees approved the General Administration Subcommittee report.

Mr. Kallianis terms of Item 4-I, Mr. Burke will review the file and will have a report for the Committee at next month's meeting.

Investment Subcommittee Items

Mr. Kelsen director of alternative investments of Gray & Company gave an update on the hedge fund portfolio. In the summer of 2005, this Board, the Investment Subcommittee authorized us to go ahead and start to build an absolute return on the hedge fund portfolio. June of 2008 the portfolio year to date is positive 7.61 percent. That is compared to plus 1.13 for the Lehman Aggregate; down 10.5 for the MSCI; and down 11 percent for the S&P; and down 11 percent for the Dow Jones. On an annualized basis, this portfolio is running at 15.89 percent. The best performing asset class you have; outperforming the bond portfolio by 1,000 basis points and the traditional equity indexes by 1,200 to 1,300 basis points. Since this portfolio started, there were 3 periods where the traditional equity markets had returns of worse -- down 5 percent. In January of 2008 when the overseas markets were crumbling down almost 10 percent, U.S. equity markets were down 6. This part of your portfolio was down 1.14 percent. In April of this year, the international markets continued to be challenged; down 5 1/2 percent. This part of your portfolio was positive 2.72 percent. And June of this year, U.S. equity markets took it on the nose again; down over 8 percent. And this part of your portfolio was up 1.85 percent.

Mr. Day gave an update on what's happened with the new allocation of cash that came into the Fund in August. It is currently invested in a government securities fund at Northern Trust. We expect to have absolutely no loss of principal and achieve a positive return for the duration of the investment. So for the time period of August 6th through August 26th, your total fund has lost about 33 percent, which is a relatively modest number given the kind of volatility we've had in the markets recently. But you have got a well-diversified fund, so that helps to protect you on the downside, including those hedge funds that Andrew just spoke about. The cash equivalent return was a .06 percent for the same time period. So those funds have actually earned money over the time of the investment. And we expect that will continue through the duration of the investment there. We've had a series of meetings with the Investment Subcommittee, and the Trustees have selected what we may call finalist managers to be interviewed. And we'd like to schedule those interviews for the week of the 15th of September. It's a substantial number of managers that will need to be interviewed. And the Healthcare Plan also has selected managers.

Mr. Kallianis the Chair and the Vice-Chair, Darryle and Theresa, had been meeting with Ivory and Larry going the short list that they had prepared. Because of the large number

of managers that we have that will possibly overlap with the Healthcare Trust; we're going to schedule some joint meetings so that we're going to be interviewing people at the same time for the regular Plan and the Healthcare Trust. On the bond proceeds, Dennis brought up an important point. This is the first meeting we've had since the bond was issued by the CTA and the proceeds were sent over to the Retirement Plan. On August 6th, 2008, we received \$1,100,500,000 in bond proceeds that were deposited in the account that Ivory just described the Government Select account at Northern Trust.

Mr. Harris when you do this interviewing of the money manager, is it going to be a round-robin type thing over a period of a week? Mr. Day it will be over the period of a week.

Mr. Simmons that \$1.1 billion is set just for the Pension Fund? Mr. Kallianis it's just for the Pension Fund. There was a separate deposit of \$528,800,000 made for the Retiree Healthcare Trust.

Mr. Simmons so percentagewise where does that put us at as far as our funding? Mr. Rivera it's roughly in the neighborhood of 80 percent.

Real Estate Subcommittee Items

Mr. Kallianis the Chair and the Vice-Chair, Lynn and Rick Harris, had a couple of meetings with Steve Burns and Sarah Cachet from The Townsend Group. They have come up with a list of managers to be interviewed by the Investment Subcommittee; we don't have a concrete date for that one yet. It's probably going to be the week of September 25th.

Mr. Kallianis DV Realty had asked for an amendment to their limited partnership agreement. They were negotiating some changes that were brought about as a result of an unrelated business tax that could have been incurred by the limited partners. The changes that they've made have already been approved by a majority of the limited partners in the fund, which is when they required having the amendment. There were a couple of changes to the distribution of the proceeds of the portfolio. They were related to sort of a technical correction that was required because of this unrelated business tax issue that came up after all the limited partners had signed to the documents. At this point they don't need our approval to do this.

Old Business

Mr. Kallianis the Healthcare letter that was talked about at the previous meeting. At the last month's meeting Dick had been directed to draft a letter to employees regarding the treatment of healthcare eligibility between now and the end of the year and he provided a copy to Joe Burns who marked it up and got it back to me. That was the version that you saw that came out. We will have to amend the letter slightly to incorporate the fact that that interim legislation is actually law now, and then we can get that out next week.

Mr. Harris the CTA put a letter out last week and it wasn't signed by anybody. The letter was almost intimidating telling me that I had until January 1st -- January 9th of 2009 to make a decision whether I'm going to leave at 55 or not.

Ms. Morris our letter was for a different reason. It was a survey we wanted the employees to respond. They don't have to answer if they don't want to, but for operational reasons for us to make decisions.

Mr. Anosike I think you've gotten one explanation as to why that letter went out. It was purely a survey. If you're looking for a formal response, then I would suggest going back to the CTA and getting a formal response from the CTA.

New Business

Mr. Simmons Local 241 needs to know if there have been any contributions made to the Pension plan on behalf of its full-time officers and its part-time officers.

Mr. Kallianis for the full-time officers, all the contributions are being made. There have been no contributions to the Retirement Plan for part-time officers of Local 241 and 308 since 2005 from the CTA.

Mr. Simmons because we haven't received those funds, those funds are usually deposited into an interest-bearing account. So since we haven't received any contribution from the Authority on behalf of the part-time officers, there's a pretty good chance that we've lost the opportunity to collect interest on that money. Mr. Kallianis do you have a figure of what it might be at this point that's owed?

Mr. Kallianis for Local 241, I think the number is approximately \$167,000 for 241 and \$57,000 for 308. Those are the amounts that have been billed to the CTA for the contribution. Mr. Anosike asked if Mr. Kallianis know why these have not been made. There was a settlement agreement that was signed some time ago regarding this issue where a process was supposed to be put in place in order for the contributions to go to the CTA and to the Retirement Plan simultaneously.

Mr. Burke there was an agreement reached in January of '05 between the Authority and Locals 241, 308, and the ATU International. In that agreement, the issue which is addressed is the part-time union officers. The President and Financial Secretary of the part-time union official's union shall certify that the contents of the documents are true, including only pensionable activities as defined herein, and include no non-pensionable earnings as defined herein.

Mr. Jefferson in our opinion it goes back to what was in place prior to that, which was total compensation. And that's basically what we're going after; total compensation, because the agreement was never entered into the Fleischi arbitration award.

Mr. Burke the position of the Fund should be people who are involved here -- the part-time union officers are people who are eligible for pension benefits. The issue for the Committee is how we determine what their pension benefit is unless we are provided with information as to their hours of work and their earnings because that compensation is what we call pension-eligible earnings.

Mr. Anosike as a fiduciary to this Trust, I will urge the bodies to resolve this dispute as quickly as possible, because this Trust is owed some money. And the longer that takes place, the longer this Trust is denied the opportunity to reinvest those funds for the benefit of both employees and retirees. So my view would be urge the parties to resolve it as expeditiously as possible to get this off the table.

Mr. Jefferson I wanted to update our alternate list for Local 241. We will be replacing John Bayer and Pete Fionda with Dan Hrycyk and Carl Acevedo.

Mr. Franklin Mr. Chairman, on new business, my understanding is that the annual report is required of the Fund to the Auditor General in September. Are the professional consultants and such preparing that for this Committee?

Mr. Kallianis they are and you'll get the actuarial assessment in the next couple of weeks. It will be ready for the September 30th submission to the Auditor General.

Executive Session

None

Meeting adjourned on a motion by Mr. Simmons