

Meeting of the 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 September 22, 2011 at One North Franklin Street, 24th Floor. The Executive Director was present.

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

Javier M. Perez, Jr.
Joan Coogan
Marcellus Barnes
Christopher Kasmer as an alternate for John Burkard
Joseph Santino Pass
Joseph J. Burke
Robert Kelly
Ronald Puskarits
Judith Kelley as an alternate for Paul Sidrys
Karen Walker
Peter Xilas

James O'Connell was present as General Counsel for the Retirement Plan. Appearing on behalf of the Union trustees was Sherrie Voyles, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the Regional Transit Authority appointed Trustee were Andrew Malahowski of Franczek Radelet, PC and John Doerrer. James Daley of K&L Gates appeared on behalf of the CTA Trustees. Also present was Ivory Day of Gray & Company, Sarah Cachet of The Townsend Group, and Jack Abraham, David Ehr and Rebecca Brenza of PriceWaterhouseCoopers.

On motion by Ms. Coogan, seconded by Ms. Kelley, Javier Perez was elected Chair to fill the unexpired term of Darrell Jefferson. On motion by Mr. Perez, seconded by Mr. Kasmer, Joan Coogan was elected Vice-Chair.

On a motion by Mr. Kelly, seconded by Mr. Burke, the Board approved the draft minutes of August 25, 2011.

General Administration Subcommittee Items

A motion was made by Mr. Kelly, seconded by Mr. Burke, to approve items 4(a) through 4(g) of the General Administration committee agenda. The motion passed unanimously.

Investment Subcommittee Items

Mr. Day provided the Trustees with a report, advising that assets had a market value of \$1,670,747,619 as of September 20, 2011. Although the market has been volatile, Mr. Day reported, the return for the year ending in June 2011 was 20.48%, and the return from inception was 9.21% per year. Mr. Day noted that the Plan's return from inception was well ahead of its actuarial return assumption.

Real Estate Subcommittee Items

Sarah Cachet of the Townsend Group reported on the Plan's real estate portfolio, and discussed the performance of the individual managers. John Kallianis advised that The Townsend Group had been acquired by Aligned Investment Managers, and the Plan had received a request for a consent to assignment. Mr. Kallianis recommended the Trustees provide the requested consent, since he had been advised that there would be no change to the services provided or key personnel. On motion by Mr. Burke, seconded by Mr. Kelly, the Board approved the consent to assignment.

Old Business

The Trustees discussed the Old Business item regarding Part-Time Union Officers, and the New Business item on the Payroll Audit Committee. Mr. Kallianis reported that he had signed the engagement letter for Legacy, and that he anticipated having a kick-off meeting with Legacy in the next few weeks.

With respect to the health care transition audit, Mr. Kallianis reported that he was working to pull together additional information requested by Mr. Burke, and he had been coordinating with counsel and Mitchell Titus to that end.

New Business

Mr. Kallianis reported that the RFP for actuarial services had been posted on the Plan's website on September 12, 2011, and bids were due to be submitted by October 10, 2011.

Mr. Abraham and Mr. Ehr of PriceWaterhouseCoopers (PWC) presented the Plan's actuarial valuation as of January 1, 2011. Mr. Ehr advised that PWC recommended that the plan's investment return assumption be reduced from 8.75% to 8.5%. Mr. Ehr noted that, using the 8.5% expected return, the valuation reflects a funded ratio of approximately 70% (70.1%) as of January 1, 2011. Because the funded ratio, with this assumption, would be projected to decline below 60% at some point between now and 2039, the minimum contribution required through 2039 from the CTA would be 17.3% (a net of 11.3% after a 6% credit for debt service) and the minimum contribution required through 2039 from employees would be 8.65%, an increase over current rates. Mr. Ehr noted that PWC used the projected unit credit actuarial cost method. On motion by Ms. Coogan, seconded by Mr. Burke, the Board adopted PWC's valuation and report, including the determination of the Plan's funded ratio, and the determination of the increased contribution rates required under 40 ILCS 5/22-101(e).

On a motion by Ms. Walker, seconded by Ms. Coogan, the Board approved adjournment of the meeting.