

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 March 28, 2013 at One North Franklin Street, 27th Floor. The Chair and the Executive Director were present.

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

Joan Coogan, Chair
Javier Perez, Vice-Chair
John Burkard
Joseph J. Burke
Keith Hill as an alternate for Carlos Acevedo
Robert Kelly
Patricia Thomas-Miller as an alternate for Ron DeNard
Paul Sidrys
Karen Walker
Marjorie Espina as an alternate for Larry Owens

James O'Connell was present as General Counsel for the Retirement Plan. Appearing on behalf of the Union-appointed Trustees was Joseph Burns, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the Regional Transit Authority appointed Trustee were Andrew Malahowski of Franczek Radalet, PC, and John Doerrer of John A. Doerrer and Associates, PC. David Novak of Schuyler Roche & Crisham appeared on behalf of the CTA-appointed Trustees.

Also present were Ivory Day of Gray & Company, and Larry Langer of Buck Consultants.

On motion by Mr. Burke, seconded by Mr. Walker, the proposed minutes for the February regular meeting were approved. The proposed executive session minutes were deferred.

General Administration Subcommittee Items

On motion by Mr. Burkard, seconded by Mr. Kelly, the Board voted to approve items 4(a) through 4(i) under the General Administration committee agenda, with Mr. Sidrys recusing himself.

Investment Subcommittee Items

Mr. Day reviewed with the Trustees a chart showing the excess return obtained by the Plan over various benchmarks.

Mr. Day discussed the review he had conducted concerning Friess, one of the Plan's managers, which he indicated had also been discussed in subcommittee. Mr. Day reviewed the performance of the manager in the context of the other managers for the Plan, and advised that he had concluded that Friess was no longer compatible with the Plan's other managers, and thus recommended its termination. On motion by Mr. Kelly, seconded by Mr. Sidrys, the Trustees voted to terminate Friess and either reallocate the money to another manager or use it to make required payments, whichever is most appropriate at the time of termination.

Mr. Sidrys summarized other items considered by the Investment Subcommittee. With respect to Chilton Global National Resource, a private equity fund, the consensus of the subcommittee was that Chilton has underperformed and Gray is concerned about the management of the fund, noting that other customers are withdrawing funds from Chilton. As a supplementary reason, Mr. Sidrys noted that one of the Plan's objectives is to reduce the number of managers. On motion by Mr. Kelly, seconded by Mr. Burke, the Trustees voted to redeem the Plan's assets in Chilton, and to use the money either to reallocate or to make required payments, whichever is most appropriate at the time of redemption.

Mr. Sidrys also advised the Trustees that the Subcommittee was recommending that the Plan issue a request for proposal to obtain an additional hedge fund for a global macro strategy, where the Plan is currently under-allocated, and that it be a direct investment as opposed to a fund-of-funds, in order to secure lower fees. On motion by Mr. Kelly, seconded by Mr. Sidrys, the Trustees voted to accept the Subcommittee's recommendation, and that, after the Plan receives responses to the request for proposal, the Subcommittee and the full Board of Trustees will review the finalists before an allocation is made.

Mr. Sidrys also noted that the Subcommittee recommended initiating a search for private equity managers, where the Plan is also under-allocated, for direct investment of \$15 to \$20 million each over the next two to three years. On motion by Mr. Burkard, seconded by Ms. Walker, the Board approved initiating such a search.

Mr. Sidrys reviewed for the Trustees the history of the Plan with respect to Black Enterprise Greenwich Street, a private equity manager. It had been selected by the Plan about two years ago, but had not been able to raise the funds projected in the amount of time promised. The Subcommittee was recommending that the Plan extend the time in which it would consider investing money (\$5 million) with this manager, contingent on the manager raising \$125 million by the end of 2013, and on an additional update from the manager, and on a subsequent vote by the Board as to whether to invest in this manager or not at that time.

Mr. Day reported that as of March 27, 2013, the Plan had \$1,767,790,723.68 in assets.

Old Business

Mr. Kallianis provided an update on the Legacy payroll audit.

Mr. O'Connell indicated that the discussion of items 7(b) and (c) may be for executive session.

Mr. Kallianis reviewed the participant education initiatives he had organized.

New Business

Mr. Langer provided a review of the preliminary actuarial valuation.

Executive Session

On motion by Mr. Kelly, seconded by Mr. Burke, the Trustees voted unanimously to move to executive session, to discuss potential litigation.

Open Session

Mr. Kelly moved to direct Mr. O'Connell to turn over his privileged work product memoranda dated February 19, 2013 on interest and drug rebates to the CTA-appointed Trustees, on the basis of the following conditions:

1. That the direction to disclose the memos to the CTA-appointed Trustees is because they are trustees and disclosure is made to them in that capacity;
2. That the memos are privileged and confidential and the memos and the advice in the memos may not be disclosed to the CTA, its employees, or its lawyers;
3. The disclosure of the memos does not waive and shall not be considered as a waiver of the attorney-client privilege or work product doctrine as to the memos at issue or the subject matter of the memos;
4. The Plan expressly preserves its claim to both the attorney-client and work product privilege as to Mr. O'Connell's memos.

Mr. Kelly noted that the same rules with respect to confidential privileged material would apply to all Trustees. Mr. Burke seconded the motion. The motion passed, with Trustees Coogan, Thomas-Miller, Espina, Sidrys, and Walker abstaining, and Trustees Perez, Hill, Kelly, Burkard, and Burke voting in favor.

On motion by Mr. Kelly, seconded by Mr. Burkard, the Trustees voted to appoint members to a subcommittee established in January 2011 to recommend a collection policy, and to direct the subcommittee to meet prior to April 15, 2013. Ms. Coogan and Ms. Walker

volunteered, as did Mr. Kelly and Mr. Burkard; Mr. Burke had been previously appointed.

Mr. Kelly moved that the Plan's General Counsel identify and retain litigation counsel to draft a complaint by April 15 seeking the sums owed by the CTA pursuant to Mr. O'Connell's memo of February 19, 2013, that the CTA be given 21 days to respond to the draft complaint, and if the matter is not resolved by the deadline that suit be filed unless Mr. O'Connell or litigation counsel have additional matters they believe the Trustees should consider before suit is filed. Mr. Burkard seconded the motion. On motion by Mr. Sidrys, (noting that some of the Trustees have not seen the memos), seconded by Ms. Espina, the Trustees voted to table the motion.

On a motion by Mr. Sidrys, seconded by Mr. Kelly, the Board approved adjournment of the meeting.