

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 February 27, 2014 at One North Franklin Street, 24th 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
Carlos Acevedo
John Burkard
Joseph J. Burke
Michael McBride as an alternate for Marcellus Barnes
Robert Kelly
Paul Sidrys
Ronald DeNard
Ronald Ester
Patricia Thomas-Miller as an alternate for Omar Brown

James O'Connell was present as General Counsel for the Retirement Plan. Appearing on behalf of the ATU-appointed Trustees was Joseph Burns, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the Regional Transit Authority-appointed Trustee were Andrew Malahowski and Daniel Salemi of Franczek Radelet, 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. Acevedo, seconded by Mr. Burke, the Trustees voted to approve the proposed minutes for the regular session of the January Board meeting. On motion by Mr. Burke, seconded by Mr. Burkard, the Trustees voted to approve the proposed minutes for the executive session of the January Board meeting.

General Administration Subcommittee Items

On motion by Mr. Burke, seconded by Mr. McBride, the Board voted to approve items 4(a) through 4(i) under the General Administration committee agenda.

Investment Subcommittee Items

Mr. Day provided the Trustees with a report. With respect to Southern Sun, Mr. Day noted that the manager asked the Trustees for consent to transfer the Plan's contract to AMG, because Southern Sun had agreed to affiliate with the larger firm. Mr. Day advised that the management of the account would remain the same, as would the philosophy and strategy of investment. Mr. Day advised that the recommendation of Gray & Company was to consent to the transfer. On motion by Mr. Burke, seconded by Mr. Sidrys, the Trustees voted to consent to the assignment of the contract, Mr. Kelly abstaining.

Mr. Day reported that Mesirow, one of the Plan's private equity managers had asked the Plan to agree to amend its agreement with Mesirow to permit the manager to increase the maximum it can invest in portfolio companies from 105 percent to 125 percent of the partner subscriptions, and to permit the manager to recall distributions made within a 12 month period. Mr. Day advised that Gray & Company recommended declining the request. On motion by Mr. Sidrys, seconded by Mr. Acevedo, the Trustees voted to decline the request, Mr. Kelly abstaining.

Mr. Day reported that total assets as of February 25, 2014 were \$1,879,454,678.67.

Real Estate Subcommittee

Mr. Kallianis reported that non-core RFP responses were due February 26, 2014.

Old Business

Mr. McBride reported on behalf of the payroll audit subcommittee. He advised that the subcommittee met on February 18, 2014, and addressed many but not all of the issues presented by the Legacy audit. First, with respect to settlement payouts, the subcommittee recommends that Legacy be commissioned to review the individual settlement agreements in issue for compliance with Plan Rule 31, with assistance from counsel as necessary. Second, with respect to clerical errors discovered in the audit, the subcommittee asked Legacy to break out the dollar amount of this issue separately, as it did not appear that there was a disagreement about this item. Third, with respect to clothing allowances and payments to employees who opted out of active health care, the subcommittee recommends that the Board of Trustees determine that these two types of payments are not "amounts regularly paid to employees by the Authority as compensation in consideration for personal services rendered," within the meaning of Rule 14 of the Plan. Finally, the subcommittee requested more information on three items: 1) the dollar amounts represented by accrued vacation payouts to employees who separated from service during the audit period; 2) additional information from the CTA regarding how it treats payment of health coverage premiums for employees out on extended medical leave; and 3) whether the CTA and the unions could agree to a resolution of the part-time union employee issue going forward.

Mr. Burke made a motion, seconded by Mr. Acevedo, to accept the report, including the request for additional expenditures for Legacy. Mr. Sidrys asked if the subcommittee could report back on when Legacy thinks it can complete its work. Mr. Burke agreed to add the request to his motion. The Trustees voted to approve the motion, accepting the report and recommendations of the subcommittee.

With respect to the Investment Consultant RFP Subcommittee, Mr. Kelly advised that he was removing himself from the subcommittee. Mr. Perez, seconded by Mr. McBride, moved for Mr. Acevedo to be added to the subcommittee, and the Trustees voted to approve the motion. Mr. Sidrys advised that he was also removing himself from the subcommittee. On motion by Mr. Kelly, seconded by Mr. Burke, the Trustees voted to appoint Joseph Burns to replace Mr. Kelly on the subcommittee, with Trustees Perez, Acevedo, Burkard, Burke, and McBride voting yes, and Trustees Coogan, McKone, DeNard, Ester, and Sidrys voting no.

Mr. Kallianis directed the Trustees' attention to an item in the packet concerning amendments requested by Buck Consultants to its contract with the Plan. For 2014, Buck was asking the Plan to agree to 1) a 1.5% increase in billing rates and fees for calendar year 2014 services, 2) a flat amount of \$29,000 for the experience review, and 3) a modification of the termination provision to provide for termination by either party on 10 days' notice. On motion by Mr. Kelly, seconded by Mr. Burke, the Trustees approved the changes, subject to Legacy agreeing to 180 days instead of 10 days in the termination provision. Mr. Langer indicated he would check and advise the Trustees concerning the proposed change.

Executive Session

On motion by Mr. Kelly, seconded by Mr. Acevedo, the Trustees voted unanimously to go to executive session to discuss two appeals, and pending litigation.

Open Session

On motion by Mr. Burkard, seconded by Mr. Sidrys, the Trustees voted to deny the Sherman appeal, Mr. McBride dissenting.

On motion by Mr. Burkard, seconded by Mr. Kelly, the Trustees voted to table the Partridge appeal until the next meeting.

On motion by Mr. Sidrys, seconded by Mr. Acevedo, the Board approved adjournment.