

Chicago Transit Authority Retiree Healthcare Trust

10 S. LaSalle Street

Suite 1100

Chicago, IL 60603

Meeting of the Board of Trustees

June 26, 2008

One North Franklin, 24th Floor

Chicago, IL 60603

Agenda

1. Call to Order
2. Roll Call
3. Approval of Minutes from the May 22, 2008 Meeting
4. General Administrative Matters
 - a. Sharing of Costs with Retirement Plan
5. Investment Policy / Asset Allocation
 - a. Discussion of Gray and Company Work on Asset Allocation
6. Selection of Plan Counsel
7. Selection of Healthcare Consultant
8. Selection of Plan Actuary
9. Old Business
10. New Business
11. Adjournment

The Chicago Transit Authority Retiree Healthcare Trust
June 26, 2008

Meeting Minutes

A regular meeting of the Retiree Healthcare Trust for CTA Employees was held on June 26, 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
Calvin Tillery
Lynn Sapyta
Paul Sidrys
Joseph Pass
Joseph Costello
James Kasmer

Appearances were made by James P. Daley of Bell, Boyd & Lloyd, LLP on behalf of the CTA Appointed Trustees, and Joseph M. Burns of Jacobs, Burns, Orlove, Stanton & Hernandez on behalf of the Union Appointed Trustees.

On a motion by Mr. Costello, the minutes of the 2nd Retiree Healthcare Trust for CTA Employees were approved.

General Administration Matters

Mr. Kallianis presented the Allocation of Costs sheet that was presented to the Board of Trustee of the Retirement Plan for CTA Employees earlier in the morning.

Mr. Pass stated that the way the legislation was written, the responsibility for retiree health care continues as it is currently. The legislation specifically says that the CTA or RAC will turn over this responsibility in early January or no later than July, 2009.

Mr. Anosike agreed that the Trust will become responsible for payment for health care bills effective January 1, 2009 and no later than July 1, 2009, but that didn't mean that this Committee should ignore its responsibility to as far as administrative costs.

Mr. Kallianis indicated that it sounded like the Committee wanted him to work with Dick Burke and see if there were items that were not appropriate, given the legislation. He indicated that he would revise the sheet for presentation next month.

Investment Policy/ Asset Allocation

Mr. Kallianis indicated that Larry and Ivory were here to speak on the investment policy and asset allocation.

Mr. Gray stated that they were asked to take a look at the impact of including alternative investments inside the portfolio; we included hedge funds, real estate, private equity, and timber in this review, so we limited it to that. Mr. Gray went on to say that the actuary has determined that while 7 percent would be sufficient, we felt that we would try to exceed that prudently. Depending on the asset class we believe you can get 150 to 200 basis points or the additional alpha that you would like to see in this particular portfolio.

Mr. Day spoke to the question of including alternative assets -- hedge funds, real estate, private equity, and timber. He indicated that if you look at the three-year numbers, the five-year numbers, you see very similar type results; an indication that adding alternative investments to this particular optimized passive allocation does not add very much value.

Mr. Anosike asked if Mr. Day can give the Committee a sense of timing when this Committee needs to make a decisions and what the next steps were.

Mr. Day indicated that the first step is to sign on to the asset allocation. Then decide what types of managers we want, how many large cap managers, how many small caps, how many values, how many growths, what types of those managers we want in there. The last step of that process is selecting the actual managers to manage those strategies.

Selection of Plan Counsel

Mr. Pass made a motion that the firm of Joe Burns be hired as plan counsel. It was seconded by Mr. Kasmer. The motion was deadlocked (Mr. Anosike-No, Mr. Tillery-Yes, Mr. Sidrys- No, Ms. Sapyta-No, Mr. Pass-Yes, Mr. Costello-abstained)

Ms. Sapyta indicated that she was a little uncomfortable not having counsel right now and that maybe we should appoint or recommend an interim counsel just so we have something. She said that Mr. Burke right now has been on the Pension and maybe we should just put him in as interim until this whole question gets decided -- because I feel uncomfortable not having counsel here.

Ms. Sapyta made a motion to appoint Mr. Burke as interim counsel, seconded by Mr. Sidrys. The motion failed (Mr. Anosike-Yes, Mr. Tillery-No, Mr. Sidrys-Yes, Ms. Sapyta-Yes, and Mr. Pass-No, Mr. Costello-No, Mr. Kasmer-No)

Ms. Sapyta made a motion to approve Bell, Boyd and Lloyd as the legal counsel for this Committee, seconded by Mr. Sidrys. The motion was deadlocked (Mr. Anosike-No, Mr. Tillery-Yes, Mr. Sidrys- No, Ms. Sapyta-No, Mr. Pass-Yes, Mr. Costello-abstained)

Selection of Healthcare Consultant

Mr. Pass made a motion that Trust retains Segal and Company as the consultant, seconded by Mr. Kasmer. The motion was deadlocked (Mr. Anosike-Yes, Mr. Tillery-No, Mr. Sidrys-Yes, Ms. Sapyta-Yes, Mr. Pass-No, Mr. Costello-abstained, Mr. Kasmer-Yes)

Mr. Pass indicated that the Trust had a tremendous obligation to move forward. Ms. Sapyta asked Mr. Kallianis how the RFP was post and advertised. Mr. Kallianis indicated that the HC Trust did not post the RFP.

Ms. Sapyta made a motion to appoint GRS as the plan consultant, seconded by Mr. Anosike. The motion was deadlocked (Mr. Anosike-Yes, Mr. Tillery-No, Mr. Sidrys-Yes, Ms. Sapyta-Yes, Mr. Pass-No, Mr. Costello-abstained, Mr. Kasmer-No)

Selection of Plan Actuary

Mr. Pass made a motion that the Trust approves and hires Sandra Goldstein as actuary, seconded by Mr. Tillery. The motion was deadlocked (Mr. Anosike-No, Mr. Tillery-Yes, Mr. Sidrys- No, Ms. Sapyta-No, Mr. Pass-Yes, Mr. Costello-abstained, Mr. Kasmer-Yes)

Mr. Pass stated that he would submit all the deadlocks to arbitration.

Old Business

None

New Business

None

Ms. Sapyta stated that she knew there was disagreement, but that we have to make some selections. She further indicated that she didn't believe the process was open and competitive. She suggested that we should just go out to market and do an open and competitive bid very quickly and bring that forward and make a selection next month.

Mr. Pass indicated that he would much rather use the utilization under our plan documents which calls for arbitration.

Adjournment

The Trustees approved a motion to adjourn by Mr. Sidrys.