

AGENDA
For the 644th Retirement Allowance Committee Meeting of
September 30, 2002

1. Meeting will be called to order at 8:30 A.M., Northern Trust Co., 50 South LaSalle Street, Director's Dining Room, 6th floor.
2. Roll call
3. Approval of the Minutes of the 643rd meeting.
4. Investment Subcommittee
 - a.) U.S. Bancorp Update
 - b.) Funding of Goode Investment Stable Value
5. Real Estate Subcommittee
 - a.) Status on UBS Paine Webber Fund
6. Subcommittee on General Administration
 - a.) Announcements of deaths reported since last meeting
 - b.) Presentation of pre-retirement surviving spouse allowances for approval
 - c.) Presentation of new retirement applications for approval

Rosie M. Matthews #14966 applied for disability benefits effective 10-01-02 and is requesting retroactive benefits to 06-01-02.

 - d.) Presentation of death benefits for approval.
 - e.) Presentation of refunds of contributions for approval.
 - f.) Presentation of bills and remittances
7. Old business
 - a.) Part-time union officials

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8. New Business
9. Executive Session
 - a.) Administrative Issues
10. Adjournment

The 643rd Retirement Allowance Committee Meeting for the Retirement Plan for Chicago Transit Authority Employees.

I. Full Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on August 27, 2002 at The Northern Trust. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at approximately 11:50 a.m..

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

Pam Beavers as an alternate Dennis Anosike
Marcellus Barnes
Loid Brown
Dorval Carter
Joyce Coleman as an alternate for Susan Leonis
Claudette Ogletree
Lee Robinson
Lynn Sapyta
Jerry Williams
Richard Winston

On a motion by Mr. Brown, the minutes of the 642nd meeting were approved.

General Administration Subcommittee Report

A brief report was given by Mr. Barnes on the General Administration Subcommittee Meeting. The report of the Subcommittee, including items 6a through 6f, which dealt with various benefits, bills and remittances was approved on a motion by Mr. Brown.

Investment Subcommittee Report

Mr. Winston gave a brief report on the meeting of the Investment Subcommittee, including the presentation of Gray and Company, Dreyfus and the discussion on the Stable Value funding.

Mr. Winston also indicated that another meeting would be held to determine how to fund the award to Goode Investment Management.

The report on the Subcommittee meeting was approved on a motion by Ms. Ogletree.

Real Estate Subcommittee Report

Mr. Carter gave a brief report on the Real Estate Subcommittee, including an update on the potential sale of Paine Webber by UBS Warburg, the report on the second quarter activity, the amendment of the agreement with Capri and the amendment of the agreement with RREEF.

The report on the Subcommittee was approved on a motion by Mr. Brown.

Old Business

Mr. Kallianis brought up the issue of pre-tax contributions that had been discussed at a prior meeting. After a brief discussion, the Committee indicated that they would like this issue to move forward for approval by the necessary parties.

After some discussion, the Part-Time Union item was deferred until the next meeting when the appeal period for the court case related to this item would be over.

New Business

There was no new business.

Executive Session

The RAC adjourned to Executive Session at 12:10 p.m. to discuss the administration of health care benefits related to the Plan retirees.

The Retirement Allowance Committee returned from Executive Session and was adjourned at approximately 1:05 p.m. on a motion made by Mr. Brown.

II. General Administration Subcommittee Minutes

A regular meeting of the General Administration Subcommittee was held on August 27, 2002 at The Northern Trust. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at 8:55 am.

Mr. Barnes presented for approval items 6a through 6f., including the pre retirement surviving spouse allowances, the regular retirements, disability allowances, death benefits, refunds of contributions and payment of bills and remittances. Mr. Barnes stated that the total of bills and remittances for the month was \$4,143,381.12.

On a motion by Mr. Brown, the Subcommittee approved the items on the agenda for the General Administration Subcommittee.

III. Investment Subcommittee Minutes

A regular meeting of the Investment Subcommittee was held on August 27, 2002 at The Northern Trust. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 9:05 a.m..

Mr. John Ignneri and Mr. Paul Kandel from Dreyfus Investment Management then gave the Committee an update on the status of their investment with Dreyfus.

Mr. Kandel fielded several questions from members of the Committee on what steps they took to look more deeply at stocks like Worldcom, Enron and Tyco so that they didn't get fooled into buying overvalued stocks.

Mr. Larry Gray then gave the Subcommittee an update on the investment performance of the fund through the second quarter of 2002. Mr. Gray indicated that the plan had a quarterly return of -6.9% and a year to date return of -5.7%.

Mr. Gray also gave an overview of the national and international economies and indicated that things had suffered further since the close of this report on June 30, 2002. Mr. Gray indicated that the economy seemed to be improving, despite the poor performance of the financial markets. He also indicated that unemployment was up and consumer confidence was falling.

Mr. Winston then gave a brief summary of the Investment Subcommittee meeting that took place on August 20, 2002 and indicated that the Subcommittee had come to an agreement and recommended that the allocation to Stable Value should be funded over a 6 month period, with the first half of the funding coming from Fixed Income and Large Cap managers and the second half coming from Mid Cap and Small Cap managers.

Mr. Williams indicated that he was not at the Investment Subcommittee meeting on the 20th because he did not receive the notice for the meeting. He indicated that he was uncomfortable with moving forward on the recommendation reached at the Subcommittee and that the Committee needed to perform it's own due diligence on the change in the asset allocation.

Mr. Winston and several other members indicated that the Committee had made the decision to change the asset allocation some time ago and only after there were extensive deliberations at the Subcommittee and Committee levels. He said that he felt the Committee should move ahead with its earlier decisions on changing the allocation, hiring Goode Investment Management and funding them as previously agreed to at the Subcommittee meeting. Mr. Winston asked for a motion on the matter.

Ms. Sapyta made a motion to move ahead with the recommendation of the Subcommittee. After some discussion, there was a voice vote as follows:

Mr. Winston, yes; Ms. Sapyta, yes; Mr. Carter, yes; Ms. Beavers, yes; Ms. Coleman, yes; Ms. Ogletree, no; Mr. Brown, no; Mr. Williams, no; Mr. Robinson, no; Mr. Barnes, no. The vote was 5 for and 5 against and did not pass.

After some discussion, the Subcommittee then asked Mr. Kallianis to schedule another meeting of the Investment Subcommittee to go over the change in asset allocation again and to determine where the money would come from to fund the allocation to Goode.

The Subcommittee on Investments was adjourned on a motion made by Mr. Robinson.

IV. Real Estate Subcommittee Minutes

A regular meeting of the Real Estate Subcommittee was held on August 27, 2002 at The Northern Trust. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at 11:30 a.m..

Mr. Burns from the Townsend Group gave a report on the 2nd quarter of 2002 with regard to the Real Estate portion of the portfolio. Mr. Burns indicated that, although many of the properties in our various portfolios have depreciated in value, the income from those properties remains strong.

Mr. Burns then spoke about Capri Select's request to extend their investment period and to eliminate the un-formed advisory committee. Mr. Burns indicated that he was in favor of both requests, as long as Capri was going to charge us on invested capital for the extension period and not committed capital.

Mr. Burns also gave the Committee an update on the Paine Webber sale to the Pennsylvania Retirement Plan. He said that he had been promised documents and they were slow to deliver. He also committed to keeping the Committee informed and said he would bring information as soon as he had it available.

Mr. Carter then asked Mr. Burns to work out a schedule to bring Real Estate managers in one at a time over the next 6 months or so, so that we can hear updates on their performance. Mr. Burns suggested that he would bring in Paine Webber for the first month.

On a motion by Ms. Sapyta, the Committee approved the extension of Capri's investment period, subject to fees on invested capital and the elimination of the advisory committee associated with the fund.

Mr. Burns also spoke to the Committee about the RREEF offer to increase their holdback from 50% to 84.5% of the returns due to the poorer than anticipated performance of the fund.

On a motion by Mr. Brown, the Committee approved the holdback offer for RREEF.

Mr. Kallianis gave the committee an update on the potential sale of Paine Webber to the Pennsylvania Teachers Retirement Fund. He indicated that the fund and Paine Webber were exchanging documents and that it looked as if it would be approved by the Pennsylvania fund, but that he would keep in contact with Mr. Burns from Townsend on this matter.

The Real Estate Subcommittee was adjourned on a motion by Mr. Barnes.

Executive Director

Chairman