

AGENDA
For the 661st Retirement Allowance Committee Meeting of
February 26, 2004

1. Meeting will be called to order at 8:30 A.M. at the LaSalle Bank 135 S. LaSalle, on the 6th floor, room 625.
2. Roll call
3. Approval of the Minutes of the 660th meeting.
4. Investment Subcommittee
 - a.) Pharos Capital Updates
 - b.) Year End 2003 Report
 - c.) Hopewell Ventures
5. Real Estate Subcommittee
 - a.) No Business
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.
 - d.) List of retirement applications that were revoked.
 - e.) Presentation of death benefits for approval.
 - f.) Presentation of refunds of contributions for approval.
 - g.) Presentation of bills and remittances.
7. Old Business
 - a.) Allsup, Inc. Contract
 - b.) Corvel Contract
 - c.) Hopewell Ventures Private Equity
 - d.) Part-time Union Board Members
8. New Business
9. Executive Session
10. Adjournment

The 660th Retirement Allowance Committee Meeting of the Retirement Plan for Chicago Transit Authority Employees.

I. Full Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on January 26, 2004 at LaSalle Bank. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at approximately 11:15 a.m..

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

Dennis Anosike
Marcellus Barnes
Mike Fabian as an alternate for John Burkard
Hector Flores as an alternate for Ethel Carter
Linda Fuller as an alternate for Dorval Carter
Leon London
Javier Perez
Lynn Sapyta
Richard Winston

On a motion by Ms. Sapyta, the minutes of the 659th 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 6g was approved on a motion by Mr. Barnes.

Investment Subcommittee Report

Mr. Winston gave a brief report on the meeting of the Investment Subcommittee. The report on the Subcommittee meeting was approved on a motion by Mr. Barnes.

Real Estate Subcommittee Report

Mr. London gave a brief report on the Real Estate Subcommittee, including the report of Mr. Burns from the Townsend Group.

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

Old Business

On a motion by Ms. Sapyta the Committee voted to withdraw its nomination of Champion Ventures real estate fund of funds. There was a roll call vote as follows: Anosike-yes, Barnes-yes, Fabian-yes, Flores-yes, Fuller-yes, London-no, Perez-yes, Sapyta-yes, Winston-yes. The motion passed.

Mr. Kallianis indicated to the Committee that there would be a special meeting of the General Administration Subcommittee to have a final presentation by Corvel and Allsup before consideration by the full Committee in February.

After some discussion, Mr. London withdrew his outstanding motion from the December, 2003 meeting and made a motion to adjust retroactive back to April 1995, and the pension benefit be paid to the retirees who, during their employment, received earnings from both the CTA and the Union by making - taking into account their total earnings as reported by the CTA and by the Union of their W2's. There was a roll call vote: Anosike-no, Barnes-yes, Fabian-yes, Flores-yes, Fuller-no, London-yes, Perez-yes, Sapyta-no, Winston-no. The motion did not carry.

Mr. Kallianis then updated the Committee on the progress of the move to 10 S. LaSalle and indicated that the project was on time to move into the new offices prior to the April 30, 2004 lease expiration at 10 S. Riverside.

After some discussion, the Committee directed Mr. Kallianis to pay the retroactive checks and to update the amounts for existing retirees in February. They indicated that they were comfortable with moving ahead on these items even without the memorandum of agreement on all of the Plan changes being signed because there was no disagreement on the changes to the formula and the flat dollar increases.

On a motion by Mr. Anosike the Committee voted to adjourn.

New Business

There was no new business.

Executive Session

There was no executive session.

II. General Administration Subcommittee Minutes

A regular meeting of the General Administration Subcommittee was held on January 26, 2004 at the offices of LaSalle Bank. The Chairman and the Executive Director were present. A quorum being present, the meeting was called to order at 8:45 am.

Mr. Barnes presented for approval items 6a through 6g, including the pre-retirement surviving spouse allowances, the regular retirements, disability allowances, death benefits, refunds of contributions, payment of bills and remittances. Mr. Barnes stated that the total of bills and remittances for the month was \$10,215,624.06.

Mr. Flores made a motion to allow Peco Serovski to retire effective 11/1/03. There was a roll-call vote as follows: Anosike-no, Barnes-no, Fabian-abstain, Flores-yes, Fuller-no, London-yes, Perez-yes, Sapyta-no, Winston-no. The motion did not carry.

On a motion by Mr. Flores, the Committee unanimously approved the list of people that were revoking their retirement applications.

On a motion by Barnes, the Subcommittee voted to accept the report and approve the items on the agenda for the General Administration Subcommittee.

III. Investment Subcommittee Minutes

A regular meeting of the Investment Subcommittee was held on January 26, 2004 at the offices of LaSalle Bank. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 9:20 a.m..

Ms. Cheryl Marrow and Mr. Daryl Mendenhall from MDL Capital Management came in to give the Committee an update on their investment activity with regard to the fixed income portfolio managed on behalf of the fund.

After brief discussion, Ms. Sapyta made a motion to hire the three securities litigation firms - Bernstein Litowitz Berger and Grossman, Bernstein Liebhard and Lifshitz and Abbey Gardy - to represent the Plan on a contingent basis. The firms had been interviewed in November of 2003. There was a roll call vote in which all of the members voted yes.

Mr. Ivory Day from Gray and Company then spoke to the Committee about the study he had done on the active management of large cap equity funds versus indexed management. His study revealed that the managers the Plan has hired in the large cap area had done well in the last ten years compared to the index. He also concluded that, even with the lower costs associated with index funds, our returns in that area were not that different from the index returns.

In conjunction with the large cap project, the Plan had asked large capitalization managers to propose fee reductions. Harris and Lomax proposed straight reductions,

Janus, Invesco and Alliance proposed performance based fees. Mr. Day recommended that the Committee accept the fee reductions. On a motion by Ms. Sapyta, the Committee unanimously accepted the changes to the fee schedule effective January 1, 2004.

The Committee also asked Mr. Kallianis and Mr. Gray to approach the mid-cap, small-cap, international and fixed managers in the Plan about fee reductions.

Mr. Ross then reported to the Committee that the Fund was at approximately \$1.411 Billion the close of business on January 23, 2004.

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

IV. Real Estate Subcommittee Minutes

A regular meeting of the Real Estate Subcommittee was held on January 26, 2004 at the offices of LaSalle Bank. The Chairman of the Subcommittee and The Executive Director were present. A quorum being present, the meeting was called to order at 10:45 a.m..

Mr. Steve Burns from the Townsend Group gave the Committee an update on the Real Estate investments for the 3rd Quarter of 2003. The Real Estate investments had a collective return of 2.2% for the quarter as opposed to the 2% return on the NCREIF. The one year return for real estate ending September 30, 2003 was 8.1% versus a 7.8% for the Plan.

Mr. Burns then reported back to the Committee on the Champion Ventures Fund. He indicated that, while the underlying funds were good ones, the structure of the investment with Champion was inappropriate for the Plan. The structure was more suited to high net worth individuals and small pension funds.