

The 683rd Meeting of the Retirement Allowance Committee of the Retirement Plan for Chicago Transit Authority Employees

Meeting Minutes

A regular meeting of the Retirement Allowance Committee was held on February 23, 2006 at LaSalle Bank. The Chairman and the Executive Director were present.

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

Dennis Anosike
John Burkard
Rick Harris
Dorval Carter
Jack Bayer as an alternate for Darrell Jefferson
Carl Lingenfelter
Lynn Sapyta
Michael Simmons
Darryle West
Mark Maloney as an alternate for Richard Winston

On a motion by Ms. Sapyta, the minutes of the 682nd meeting of the RAC were approved.

General Administration Subcommittee Items

Mr. Simmons presented for approval items 4 (a) through 4 (i), including the pre-retirement surviving spouse allowances, the regular retirements, revoking of applications, disability allowances, death benefits, refunds of contributions and payment of bills and remittances. Mr. Simmons stated that the total of bills and remittances for the month was \$7,543,030.30.

On a motion by Ms. Sapyta, the Committee approved items 4a. Through 4i of the Agenda.

Investment Subcommittee Items

Mr. Lingenfelter directed Andrew Kelsen and Ivory Day from Gray and Company to speak on Opus Capital, a management team of a fund that was approved earlier. Mr. Kallianis stated that there was a pre-commitment made to Lightspeed Venture Partners in September 2005. Mr. Kallianis indicated that the key group from Lightspeed had left the firm to form Opus Capital. The principals that we were committing to in September, 2005 had changed. The item on the agenda would assign the commitment to Opus Capital, rather than Lightspeed.

Mr. Kelsen from Gray and Company gave a brief history on how Lightspeed managers formed Opus Capital, and re-iterated that the principals we had committed to had been with Weiss Peck and Greer and then Lightspeed since 1994. He indicated that they had produced 94 percent and 135 percent IRR returns in two of their former funds; one of the strongest venture teams in the business. Mr. Kelsen indicated that Gray and Company viewed this just merely as a name change; they've changed the firm to stay consistent with their early stage venture focus.

On a motion by Mr. Lingenfelter, the Committee approved the movement of the prior commitment from Lightspeed Venture Capital to Opus Capital.

Real Estate Subcommittee Items

Mr. Kallianis indicated that Mr. Winston was not present and that Mr. Steve Burns from Townsend Group will be giving a report on the Real Estate Subcommittee held between the monthly meetings to interview non-core managers.

Mr. Burns gave a presentation on the asset allocation split between core and non-core real estate. In May 2000, the Strategic Plan adopted by the RAC suggested a 65 percent core and a 35 percent non-core investment allocation. Mr. Burns indicated that if we invested an additional \$50 million in real estate, that the Plan would stay at roughly the same level of investment in real estate. He further indicated that it would take approximately \$42 million invested in non-core managers to keep the appropriate core and non-core split. Mr. Burns indicated that the Townsend Group's recommendation, based on manager reviews and the interviews was as follows: RREEF America REIT - \$4.5M, JPMorgan Alternative Property Fund - \$4.5M, Capri Select Income II - \$10M, Stockbridge -\$10M, Walton Street Fund V - \$10M and DV Urban -\$3M, contingent upon DV raising \$100M total by the end of 2006, inclusive of the Plan's investment.

On a motion by Ms. Sapyta, seconded by Mr. Harris, the Committee approved the recommended allocations to the funds given by Mr. Burns.

On a motion by Ms. Sapyta, the Committee approved the appointment of Mr. Harris as Vice-Chair to the Real Estate subcommittee.

Old Business Issues

Mr. West stated that at our previous meeting he had asked that item 7 (a) be discussed at the negotiation level and, after reviewing today's package, item 7 (b) should be included with item 7 (a).

After some additional discussion, Mr. Kallianis passed out the items related item to 7 (a) and 7 (b), and ask Mr. Rivera from GRS to speak on it.

Mr. Rivera gives an update to the 401H projections he presented in October 2005. In the October 2005 projection the assumed rate of return was 5 percent return and the Plan

actually earned closer to 8.7%. This would have the effect of extend the 401H fund by about four or five months. Mr. Rivera also pointed to some additional scenarios GRS had run that showed if the earnings for 2006 are at 0, then the 401H account could be expected to be depleted in October 2006.

New Business

Mr. Burkard asked about a letter drafted by Mr. Kallianis to all participants summarizing the state of the Plan and where we are headed. After some discussion, the Committee directed Mr. Kallianis to re-distribute the draft letter to the Trustees to get their final comments before the letter is sent out to the participants.

Mr. Lingenfelter requested that Mr. Burke look at the proposed legislation moving in Springfield requiring pension trustees to file economic disclosure forms. Mr. Burke indicated that his firm is following this legislation and it is currently in the House Rules Committee and will keep the trustee informed of any changes.

Mr. Harris asked that the RAC committee look into a serious problem with how CorVel evaluates the return of some unfit employees, when CTA's doctor will not allow them to return. Mr. Anosike requested that the issue be deferred to the Executive Session.

Executive Session

The Committee approved a motion by Mr. Burkard to go to Executive Session to discuss personnel issues, specific disability cases and any litigation. There was a roll call vote on the motion to enter executive session as follows: Anosike-yes, Bayer-yes, Harris-yes, Simmons-Here, West-yes, Lingenfelter-yes, Sapyta-yes, Burkard-yes, and Maloney-yes.

Regular Meeting

Mr. Burkard made a motion to support the Executive Director's decision on the Steve Kelso hiring. The Committee approved the motion.

On a motion by Mr. Harris, the Committee approved a meeting with Mr. Kallianis, Mr. Harris, Ms. Carter, and Mr. Flores to review Ms. Carter's pension documents concerning her contributions and to report back to the committee next month.

Mr. Simmons made a motion that any jobs that are open and need to be filled, come before the RAC committee prior to an offering, with the strong recommendation of the Executive Director.

The Committee was adjourned on a motion by Mr. Burkard.