

The 688th 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 July 27, 2006 at 161 North Clark Street, 28th Floor. The Chairman and the Executive Director were present.

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

Dennis Anosike
Darrell Jefferson
John Burkard
Richard Winston
Rick Harris
Carl Lingenfelter
Lynn Sapyta
Paul Sidrys
Michael Simmons
Darryle West

On a motion by Mr. Burkard, the minutes of the 687th meeting of the RAC were approved with Mr. Lingenfelter abstaining, because he was not at the June 2006 RAC meeting.

General Administration Subcommittee Items

Mr. Simmons presented for approval items 4 (a) through 4 (j), 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 amount of bills and remittances for the month was \$7,743,483.89. Mr. Kallianis also asked that the Committee consider the Disability application for Mr. Ciaran Dawson, retroactive to June 1, 2006. Mr. Dawson's proof of receipt of 26 weeks of short term disability had just been received by the Plan office.

On a motion by Ms. Sapyta, the Committee approved the General Administration Subcommittee report, including the disability application of Mr. Dawson.

Investment Subcommittee Items

Mr. Kallianis explained that Mr. Kelsen was not able to attend this meeting again due to the passing of his father last month. He is still taking care of some family matters. Mr. Kelsen's presentation would have covered the first quarter report for private equity, the

reconciliation between what the private equity managers had been reporting versus what we're calculating and Gray and Company is calculating as their returns.

Mr. Kallianis reminded the committee of the approval of a motion to give the chair and vice chair of the Investment subcommittee along with Mr. Kallianis to review and approve Gray's recommendation on the Aladdin Investment that would replace Centrix. The review has been completed and all three have consented to the investments. Mr. Kallianis will reported that the Committee will see second quarter results to coincide with Gray and Townsend reports in September.

Mr. Jefferson had inquired about one of the managers who left AA Capital and went to AIG. Mr. Lingenfelter indicated that he was unaware that the decision to support AA Capital was based on any one individual as much as it was the investment strategy. Mr. Anosike suggested a special investment subcommittee meeting to address this issue and review any information that any of the trustees may have and to put closure to this issue.

On a motion by Mr. Harris, the Committee approved Mr. Anosike's suggestion.

Real Estate Subcommittee Items

Mr. Winston called to order the Real Estate Subcommittee.

Mr. Burns addressed the committee on the Capri Plus core fund. Mr. Burns reminded the committee about the \$8M remaining to be allocated to the Core allocation. For the non-core allocation, the committee approved a \$42 million commitment to the following selected managers; Walton Street, Capri II, Stockbridge, JP Morgan Alternative Property Fund, RREEF America REIT III, and DV Urban.

On a motion by Mr. Winston, the Committee approved an investment of \$5 million in the Capri fund and allocated the remaining \$3 million equally to RREEF, Prudential and JP Morgan.

Old Business

Mr. Kallianis gave an update on the status of the 401 (h) account. He reminded the RAC that the life of the 401 (h) account had been extended due to some of the positive changes that had occurred in the last year, including the RAC increasing the dependent premiums and the improved experience with prescription drugs due to the combined purchasing power with local governments. Mr. Kallianis also indicated the Plan's auditor and actuary were looking at changing some accounting methodologies that had been used in the past. The primary purpose for this would be the net versus gross costs for benefits. Mr. Kallianis indicated that there would be a meeting with the actuary, auditor and plan counsel's office to discuss the appropriateness of any changes. Mr. Kallianis also indicated that the Allsup project - putting the burden of health care onto Medicare for SSDI recipients versus our Fund could be a positive thing for the 401h account. These were all factors that GRS and Hill Taylor would have to incorporate into their analysis for the audit and for the actuarial assessment. Until this issue is resolved, those items could not be

completed.

Mr. Kallianis spoke about a draft letter to the participants that he had put together, that needed to be amended to address the arbitration award. Mr. Sidrys asked if there were other vehicles for communicating with the Plan participants. Mr. Kallianis briefly explained that the other forms of communication were the Plan's website, meetings with individuals and retirement clubs, phone calls, "welcome to the Plan" letters for new participants and the annual benefit letters that are sent out to each active participant.

New Business

Mr. Harris asks what happens to disabled employees who are found fit to return to work, and could not return because they were still unfit. Mr. Kallianis stated that he is working with CorVel to bring together a list of third-party physicians to the Committee so that the Plan could have coverage throughout the region. Mr. Kallianis indicated there were some people awaiting appeals.

Mr. Jefferson inquired about the issue of older retirees having to pay more medical coverage than their monthly pension income, and what we could do about trying to rectifying this matter. Mr. Kallianis stated that there are two categories of retired employees having to pay the Plan for their dependents health care. There are the retirees who have been retired for some time and have a small benefit check, and those who have very short service and a small benefit check. Mr. Kallianis indicated that he would tweak the list previously provided to exclude the short-time people and look at the retirees who have been retired for some time, to see if there is anything the committee can do to bring it to the attention of the negotiating parties.

Executive Session

The Committee approved a motion by Mr. Burkard to go to Executive Session to discuss the issue of personnel matters and litigations. There was a roll call vote where all members voted yes.

Full Regular Meeting

On a motion by Mr. Simmons, the Committee raised the receptionist grade from grade 4 to grade 6 immediately changed the title to Clerk. They also gave the Chair of the General Administration Subcommittee and the Deputy Executive Director authority to fill the vacant clerk position in conjunction with the reworking of the plan office.

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

