

Retirement Plan for CTA Employees

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TO: Retirement Allowance Committee Members and Alternates

FROM:



John V. Kallianis

DATE: September 20, 2007

RE: Retirement Allowance Committee Meeting

This is to announce that the Retirement Allowance Committee Meeting will be held Thursday, September 27, 2007 at 9:30 a.m., LaSalle Bank, 135 S. LaSalle in the Conference Room ABC, on the 43rd floor.

If you have any questions, please call me at (312) 463-0350.

JVK:gmb

AGENDA
For The 702nd Retirement Allowance Committee Meeting of
September 27, 2007

1. Meeting will be called to order at 9:30 a.m., LaSalle Bank, 135 S. LaSalle, in the Conference Room ABC on the 43rd floor.
2. Roll call
3. Consideration of the Minutes of the 701st meeting
4. General Administration Subcommittee Issues
 - a.) Announcements of deaths reported since last meeting
 - b.) Presentation of pre-retirement allowances for approval
 - c.) Presentation of new retirement applications for approval
 - d.) Return to work from disability allowances
 - e.) Presentation of death benefits for approval
 - f.) Presentation of refunds of contributions for approval
 - g.) Presentation of bills and remittances
 - h.) Cash flow statement YTD
5. Investment Subcommittee Issues
 - a.) 2nd Quarter Performance (Gray)
 - b.) Hedge Fund Recommendations
 - c.) Edgar Lomax Update
 - d.) Muller and Monroe Update
6. Real Estate Subcommittee Issues
 - a.) 2nd Quarter Performance (Townsend)
7. Old Business
 - a.) 401h Status
8. New Business
 - a.) Actuarial Assessment

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9. Executive Session
 - a.) Personnel Matters
 - b.) Disability Case Updates
 - c.) Litigation

10. Adjournment

The 702nd 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 September 27, 2007 at LaSalle Bank, 135 S. LaSalle. The Executive Director was present.

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

Darrell Jefferson
Dennis Anosike
Calvin Tillery for Rick Harris
Michael Simmons
Pete Fionda for Darryle West
Carl Lingenfelter
John Burkard
Lynn Sapyta
Richard Winston
Ruben Madrigal for Paul Sidrys

On a motion by Mr. Burkard, the minutes of the 701st RAC Committee meeting were approved.

General Administration Subcommittee Items

Mr. Simmons presented for approval items 4 (a) through 4 (h), including the death reports since last meeting, pre-retirement allowances, new retirement applications, return to work from disability allowance, disability summary, election of deferred vested old age retirement allowance, retirement applications revoked, death benefits, refunds of contributions, bills and remittances, and the cash flow statement. The total amount of bills and remittances including federal income tax for the month was \$6,884,790. Item 4 (h) is estimated year-to-date cash flow statement. The Plan has a cash flow through August 2007 of negative \$57,738,182.

On a motion by Ms. Sapyta, the Committee approved the General Administration Subcommittee report.

Investment Subcommittee Items

Mr. Dennis McCaskill and Mr. Phillip Titzer from The Edgar Lomax Company give a presentation on Large-Cap Value to the Committee. The Investment Objectives have not changed and remain the same. The investment result from the realized gains, unrealized gains, and income have total investment results totaling about 50.1 million for ending market value at June 30, 2007 of \$94.9 million. The market cycle, which generally occurs within 3-5 years, has now extended to 7¼ years. Across the board we substantially

outperformed both of the indexes. The characteristic of your portfolio price to earnings ratio really tells the story which is that the companies you are invested in are earning so much more in comparison to the prices we paid than the indexes.

Mr. Andre Rice and Ms. Shannon Warland one of our equity managers from Muller & Monroe Asset Management gave a presentation to the Committee. Ms. Warland gives a brief description on fund selection and key elements to high integrity, experience people, strategy, execution and alignment of interests. Mr. Loud described the investment process. This is an over-simplification of a process that has actually formatted, it's proprietary, that goes through from start to finish how we manage investment, how an investment gets in the door and how it gets done to the point of being a portfolio investment. In Illinois M2 has formed the Illinois Private Equity Fund to funds or ILPEFT in 2004. You and other Illinois investors, the state of New Mexico funded us in this mandate which had sort of a dual strategy of half minority and women managers, and half Midwest-based, Midwest focused managers. The size of the fund is at \$144 million, 14 funds, \$123 million committed, \$41 million invested, \$4 million distributed, 75 underlying companies with a 20 percent targeted return of portfolio.

Mr. Day of Gray and Company presented the Investment Performance Report ending June 30, 2007. Over the years the asset allocation represents the great majority of return you get over a long term. Over 90 percent of the return comes from that and you are doing very well. And your managers are actually adding value. CTA total fund line for the quarter was 4.5 percent, ranking in the 12th percentile, outperforming 88 percent of all other funds with similar type of asset allocation. For the one year ranked in 6th, three year 11th, fifth year 16th, and ten years 20th. This is an indication that in addition to having a policy that will represent your fund; the managers you've selected collectively have done a good job of beating the benchmark.

Real Estate Subcommittee Items

Ms. Cachet from the Townsend group gives a report on the second quarter performance to the Committee. At the end of the second quarter the market value of the portfolio was 141 million. This generated a net return of 4.7 percent which slightly exceeded the MPI which is at 4.6 percent for the quarter. On a rolling one-year basis return 21.3 percent, five-year 5.5 percent return, this quarter the net real return was 11.3 percent.

Mr. Jefferson asked Ms. Cachet if she was aware of DV Urban having problems in the news media lately. Ms. Cachet was aware of some recent news involving Mr. Robert Vanecko a nephew to the mayor. Mr. Jefferson and Mr. Anosike's concern was that the Committee needs to be fully informed on any managers before taking a vote.

Old Business

Mr. Rivera and Mr. Larry Langer from GRS presented the Valuation Results as of January 1, 2007. The funding ratio has been declining from 39 percent in 2005 to 30 percent in 2007. The contribution shortfall -4.3 percent, investment returns -1.1 percent, salary demographic experience -0.1 percent, dependent premium experience -0.1 percent,

healthcare claims experience 1.5 percent healthcare assumptions -0.1 in 2006 all contributed to the fund ratio at 30.2 percent.

Mr. Tillery raised the issue on the one-year contract the Plan had with CorVel's. There still here servicing the Plan and we still have issue's with them, why? Mr. Kallianis CorVel was a pilot program that began in August of 2004 for one year. Mr. Burkard asked that Mr. Kallianis bring to the next meeting how much CorVel had saved the Plan, compared to how much we've actually paid CorVel. Mr. Tillery stated that the issue is that some individuals who have been found fit to return to work with restrictions have not return to work and the Plan is still paying them. Mr. Tillery would like to know the statue of the arbitration in this matter.

Mr. Simmons requested an update on Mr. Matos agreement. Mr. Kallianis stated that Mr. Burke had redrafted the amendment to the Plan and it will be distributed to 241, 308 and the CTA.

New Business

None

On a motion by Mr. Burkard the Committee approved to adjourn.