

# **Meeting of the Retirement Plan for CTA Employees Board of Trustees**

10 S. LaSalle Street  
Suite 1100  
Chicago, IL 60603

## **Meeting Minutes**

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on April 26, 2012 at One North Franklin Street, 18<sup>th</sup> Floor. The Chairman and Executive Director were present.

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

Javier M. Perez, Jr., Chair  
Joan Coogan  
Marcellus Barnes  
John Burkard  
Joseph Pass  
Joseph J. Burke  
Robert Kelly  
Helen Kim as an alternate for Ronald Puskarits  
Paul Sidrys  
Karen Walker  
Paul Volpe

James O'Connell was present as General Counsel for the Retirement Plan. Appearing on behalf of the Union Trustees was Anita Tanay, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the Regional Transit Authority appointed Trustee were Andrew Malahowski of Franczek Radelet, PC and John Doerr. James Daley and David Novak of K&L Gates appeared on behalf of the CTA Trustees. Also present were Ivory Day, Larry Gray, and Curtis Williams, of Gray & Company, Sarah Cachat of The Townsend Group, and James Lemont of Legacy Professionals, LLC.

On a motion by Mr. Burke, seconded by Ms. Coogan, the Board approved the draft minutes, as amended, for March 22, 2012.

### **General Administration Subcommittee Items**

On motion by Mr. Burkard, seconded by Mr. Burke, the Board voted to approve the items under the General Administration committee agenda.

### **Investment Subcommittee Items**

Mr. Day provided the Trustees with a report on market performance through the first quarter, noting that these returns have been very good, and that as of April 25, 2012 the Plan had assets of \$1,721,732,973.45. Mr. Gray provided a report, indicating that in the twelve years he has been working for the Plan, it has achieved a return of almost 9%. He discussed the value of the Plan having maintained a consistent asset allocation over the years. The Trustees asked for additional information, including a comparison to other public funds, and a report on returns net of fees and other costs beyond the individual manager fees.

Mr. Gray reviewed with the Trustees concerns about the Retirement Plan's investment in the Zweig-Dimenna Natural Resources Fund, as detailed in a memorandum from Gray & Company to the Trustees dated April 24, 2012. He indicated he was concerned that Zweig-Dimenna is not devoting sufficient attention to the Fund, and that the Fund's performance has lagged its peer group. On motion by Mr. Kelly, seconded by Mr. Sidrys, the Trustees voted to accept the recommendation of Mr. Gray and terminate the investment in this Fund.

Mr. Gray reviewed with the Trustees the potential investment in Black Enterprise/Greenwich Street. He advised that there has been a change in management of the fund, and that he would recommend advising them that any Retirement Plan investment is contingent on them raising at least \$125 million, with a first closing date prior to December 31, 2012. Mr. Gray indicated that he would plan to meet with them again even if they reach that goal, and provide an updated analysis to the Trustees. Mr. Kelly moved to approve the recommendation, Mr. Sidrys seconded the motion, and the Board approved it.

Mr. Williams advised the Retirement Plan had received a request from DN Partners, one of the Plan's private equity firms, to approve a request to make three changes: 1) extend the investment period for one year, 2) eliminate the General Partner's sharing of third party fees for one year, and 3) increase the allocation to a single company (M & M Pump Supply, Inc.). Mr. Kelly noted that Gray & Company had provided a memorandum to the Trustees on these issues, which indicated support for some but not all of the changes. Mr. Williams advised that the request was written to seek a single yes or no on all three changes, so Gray & Company was recommending a no vote. On motion by Mr. Kelly, seconded by Mr. Sidrys, the Trustees voted to respond as indicated in the Gray & Company memorandum.

Mr. Gray advised that Gray & Company would be working to review the Plan's total number of managers, to see if reducing the overall number could save the Plan on fees.

Mr. Gray indicated that one of the Plan's hedge funds, Lister Watson, had been sold, so he recommended a search for a replacement. He also noted that two other managers had been terminated, and recommended searches to replace them. Mr. Sidrys pointed out that these recommendations were the subject of an April 20, 2012 memorandum from Gray & Company, and moved to authorize them to begin with the searches as indicated in the memorandum. Mr. Burke seconded the motion, and the Board approved it.

### **Real Estate Subcommittee Items**

Ms. Cachat provided an update on fourth quarter performance for the real estate portfolio.

### **Executive Session**

On motion by Mr. Kelly, seconded by Mr. Burke, the Board voted unanimously to go into executive session in order to discuss litigation.

In open session, on motion by Mr. Kelly, seconded by Mr. Burke, the Board voted to continue the authorization to Mr. Kallianis to act on behalf of the Retirement Plan, with counsel from Mr. O'Connell, in connection with DV Urban, with periodic updates to the Trustees.

### **Old Business**

Mr. Kallianis introduced Jim Lamont, of Legacy Professionals, who provided a summary of progress on the payroll audit and an estimate for completion of a draft report.

Mr. Kallianis and Mr. O'Connell provided an update with respect to interest on late contributions. Mr. O'Connell advised that the Plan had sent an invoice to the CTA for interest on contributions that had been paid late, and suggested that it might be useful to seek a meeting between representatives of the CTA and representatives of the Plan to move the matter to resolution. Mr. Kelly made a motion for the groups to get together before the next Board meeting and report back on what progress, if any, has been made. Ms. Kim seconded the motion, and the Board approved it.

Mr. O'Connell provided an update on the transition audit. He indicated he had met with CTA representatives in early April, along with Aaron Stanton, outside counsel for the Plan. The meeting ended with the CTA and Plan representatives agreeing to articulate their legal positions and discuss them in an effort to see if the matter can be resolved without litigation.

Mr. Perez asked if there was any update on the question of issuing a 13<sup>th</sup> check. Mr. O'Connell advised that, based on a federal district court decision in 2001, and the manner in which the statute governing the Plan had been amended since then, he believed a court would rule that the Trustees do not have unilateral authority to issue a 13<sup>th</sup> check.

### **New Business**

Mr. Kallianis described legal malpractice insurance policy proposal which had been summarized in a recent memorandum to Trustees. On motion by Mr. Pass, seconded by Mr. Burke, the Board approved purchase of the policy, with the cost to be split between the two plans.

On a motion by Mr. Kelly, seconded by Mr. Sidrys, the Board approved adjournment of the meeting.