

## AGENDA

### FOR THE 533RD RETIREMENT MEETING OF JUNE 22, 1993

1. Meeting will be called to order at 10:30 a.m., Harris Trust & Savings Bank, 111 West Monroe Street, Executive Dining Rooms - 37th floor.
2. Roll call.
3. Approval of the Minutes of the 532nd Meeting held May 26, 1993.
4. Investment Subcommittee report.
5. Real Estate Subcommittee report.
6. Subcommittee on General Administration.
  - a) Announcement of deaths reported since the last meeting.
  - b) Presentation of Pre-Retirement Surviving Spouse Allowances for approval.
  - c) Presentation of new retirement applications for approval.
    - (i) Solomon Jones - #4325 - request for retroactivity to 6/1/93.
    - (ii) Pamela R. McKeel - #946 - request for retroactivity to 6/1/93.
    - (iii) Richard H. Settles, Jr. - #8988 - request for retroactivity to 6/1/93.
    - (iv) Calogero Fruscione - #17614 - request for retroactivity to 4/1/92.
    - (v) Odessa Cooper - #1439 - request for retroactivity from 8/1/90 thru 3/17/91.
    - (vi) Clara Owens - #4039 - request for retroactivity to 6/1/93.
  - d) Presentation of Death Benefits for approval.
  - e) Presentation of Refunds of Contributions for approval.
  - f) Presentation of Bills and Remittances for approval.

- g) Robert Charles - #05552 - returned to duty on 5/28/93.
- h) Earmon Davis - #4214 - returned to duty on 5/12/93.
- i) Walter F. Walker - #07959 - Thirteen month period to repay refund of contributions and interest expires -- recommendation that the following be granted a 30-day grace period.

Name & Badge No.	13 Month Period Expires	Entered Service Date	Amount Due
Walter F. Walker #07959	June 19, 1993	11/16/70	\$15,095.89

7. New business.

- a) Review of Actuarial Study of Plan as of 1/1/93.

8. Report by Executive Director.

9. Adjournment.

06/15/93

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 533rd Meeting of the Retirement Allowance Committee was held Tuesday, June 23, 1993 at the Harris Trust & Savings Bank, 111 West Monroe Street, Executive Dining Rooms, 37th floor. The following were in attendance:

Mr. I. Thomas, Vice Chairman	Mr. E. Hill, Chairman
J. Forte	W. Buetow
Ms. W. Black	T. Stevens
L. Brown	
T. Collins	

Mr. D. Perk, Executive Director was present. Mrs. L. Murray sat in C. Burrus' stead. Mr. C. Lang sat in M. Holzman's stead. Alternates L. Morris, D. Washington, R. Baughn, M. Caffery, P. Beavers and R. Schultz were also in attendance. Messrs. F. Duda, B. Baker and R. Kinzie of the Harris Trust and Savings Bank were present. Messrs. N. Losk and J. Baratka of the Wyatt Company were in attendance. Mr. T. Paravola of Burke, Warren & MacKay was present. Messrs. B. Scholz and R. Goldman were in attendance. Mr. M. Dzinciolski, pensioner was also present.

- (1) The meeting was called to order at 11:05 A.M.
- (2) A roll call was taken which indicated that a quorum of Committee members was present.
- (3) With regards to approval of the Minutes of the 532nd meeting, there was a request that a revision be made to item (7a) in the Minutes. On Page 3 the sentence should read "...if PanAgora has not added value of at least 100 basis points at the end of calendar year 1993..." On a motion by Mr. Thomas, seconded by Mr. Stevens, the Committee unanimously approved the Minutes of the 532nd meeting as revised.

(4) Mr. W. Buetow, Chairman of the Investment Subcommittee reported on the meeting held Tuesday, June 22, 1993 (copy of meeting minutes attached). On a motion by Ms. Black, seconded by Mr. Brown, the Committee unanimously approved to accept the report of the Investment Subcommittee to be placed on file.

(5) Mr. Stevens, Chairman of the Real Estate subcommittee noted that there was no Real Estate Subcommittee meeting to report on this month. He also noted that K. Lynch of the Townsend Group will present an analysis of the real estate portfolio at the next subcommittee meeting.

(6) Mr. T. Collins, Chairman of the General Administration Subcommittee reported on the meeting held Thursday, June 17, 1993 and requested Committee approval for agenda items 6 (b) - (i). On a motion by Mr. Thomas, seconded by Mr. Brown, the Committee unanimously approved agenda items 6 (b) - (i).

There was discussion regarding a court dispute concerning the refund payment for Mr. Joseph Walton. Mr. Paravola explained that Mr. Walton applied for a refund of contributions, and subsequently was made subject to a restraining order against him prohibiting him from applying for the payment and prohibiting the Plan to process and make payment. The order expired and the Plan did, in fact, make payment in the amount of \$10,753.04. Subsequently, the Plan was advised that the restraining order had been continued and that Mr. Walton's ex-wife was claiming that the Plan should pay an additional unspecified amount to her. The Plan Attorney's office recommended that the Plan settle this issue for \$2,000 because it would cost the Plan at least that much in attorney's fees to continue on with this litigation in that the litigation could possibly go on for some time. The subcommittee concurred with the recommendation of the Plan Attorney. On a motion by Mr. Stevens, seconded by Mr. Brown, the Committee authorized the Plan Attorney to settle Joseph Walton's case for \$2,000.

The Chairman then stated that the cost of pensioners' health insurance premiums have increased by some 18% and that the Authority was making such increase effective July 1st. The Chairman requested that the Minutes should reflect that the parties have agreed that the increased premium should be paid by the Plan subject to consideration of the matter in the upcoming arbitration agreement.

-----  
EXECUTIVE DIRECTOR,  
RETIREMENT ALLOWANCE COMMITTEE

-----  
DATED

-----  
CHAIRMAN,  
RETIREMENT ALLOWANCE COMMITTEE  
-----

## INVESTMENT SUBCOMMITTEE

The Investment Subcommittee meeting was held Tuesday, June 22, 1993 at 9:00 a.m., Harris Trust and Savings Bank, 111 West Monroe Street, 37th floor. The following were in attendance:

Mr. W. Buetow, Chairman  
Ms. W. Black, Vice Chairman  
Mr. T. Stevens  
Mr. M. Holzman

Also in attendance were E. Hill, I. Thomas, J. Forte, L. Brown, L. Morris, M. Caffery, P. Beavers, C. Lang, L. Murray, D. Washington, R. Baughn, T. Collins, R. Schultz, RAC members and alternates; D. Perk, R. Pirovano, W. Ross, P. Williams, Pension Office staff; Messrs. B. Baker, F. Duda and R. Kinzie, Harris Trust and Savings Bank; Messrs. B. Scholz, R. Goldman, pensioner representatives; M. Dzinciolski, pensioner; N. Joachimi, Wellesley Group, T. Paravola, Burke, Warren & MacKay.

The meeting was called to order at 9:20 a.m.

Mr. N. Joachimi then stated to the subcommittee that the topics that he wanted to address are the real estate holdings in the portfolio and the cash position of the Fund. He also pointed out that it is imperative for the Fund that the subcommittee to approach the asset allocation and make decisions as to how monies will be distributed because the cash position of the portfolio is becoming taut with regards to making future benefit payments.

As far as the real estate portfolio, the Executive Director turned the subcommittee's attention to the PRITA holdings noting that two properties are up for auction and the auction price is \$6M. The consultant noted that in looking at the Fund, there is no question that in recent times real estate has caused the Fund's decline in performance, overall. He also noted that his concern is not so much as to what has been done in the past, but how the asset class will be handled going forward. He stated that with regards to the acquisition of property, you can not approach this as you have done in the past, because in the long term you might have to liquidate the properties. He noted that he was advised that there are some properties up for auction and cash will be coming into the portfolio from these properties, but this asset class is not quite liquid and if the Plan had to raise money, real estate is not the source. He noted that there are better ways to be in this asset class which would be more liquid

and the Plan should be very careful when reinvesting monies if you are going to be in this asset class and to invest in something that is going to be more liquid. He then mentioned that Real Estate Investment Trust (REIT's) are a better opportunity because this investment is securitized, insofar, as they sell on the markets, there is an ongoing market for this and they are more liquid. Mr. Joachimi noted that he will be in contact with the Plan's Real Estate consultant (The Townsend Group) to let him know what his position is regarding this alternative venture. He stated that in going forward with this asset class you have to see what is going to be more favorable to the Retirement Fund and it is not going to be favorable to purchase buildings, you have to be involved in something more security or stock oriented where there is going to be a market.

The consultant then discussed the effect of the Plan's Real Estate Total Fund for the recent year and also for a 10 year period and noted that overall, the total Fund including real estate for a 10 year period returned an 11.4% compounded annualized rate of return and the portfolio minus real estate yielded a 12.8% compounded annualized rate of return. He noted that the properties in the portfolio are worth more today, than when they were initially invested in, but they are not worth what they were projected to be worth.

He also noted that the Committee will soon have to make a decision regarding the asset mix of the portfolio and where the monies will have to come from to fund the future pension benefit payments or liabilities, especially if there is another early retirement incentive program included in the arbitration award. He noted that the cash portion of the portfolio is currently valued at \$7M, the pension benefit payout is approximately \$5M and there will be \$3.5M coming in from contributions. He noted that very soon, cash will have to be taken from existing managers (both equity and fixed) because the cash portion of the portfolio is a dwindling asset.

The consultant then turned the subcommittee's attention to Ariel Capital Management and noted that their current performance is not up to par. The concern is that John Rogers is overexpanding too rapidly and has added some new portfolio managers and a new chief operating officer, is closing the fund to any new monies and what effects this would have on the Retirement Plan. The consultant stated that his long term numbers are still good and this group will be monitored.

Mr. F. Duda then introduced the new portfolio manager that will be assigned to the short term CTA cash account at the Harris Bank, Robert Kinzie, who replaced Diane Burton. The Chairman then suggested that at the next meeting he would like to have the Harris Bank make a presentation before the subcommittee to explain the services that they perform for the Retirement Plan.

The Chairman then stated that there has been numerous articles appearing in the financial printed media regarding SEC inquiries with regards to directed commissions and turned the discussion over to the consultant inquiring if he is comfortable with the way that the money managers are handling this issue. Mr. Joachimi noted that this is a critical point and stated that it is important that the subcommittee understand that you can get in trouble with directing commissions if you go with someone who does not have good order of execution capabilities. You should let the investment manager decide what broker it is going to use to execute trades and tell manager if the trade can be done through whichever brokerage firm (Bear Stearns, Wilshire, Broadcort, Pershing, etc) at the lowest discount and the manager is comfortable with order of execution, you have satisfied your fiduciary duties as well, but if you as a Committee step in and dictate to the investment manager that you have to do business with a certain firm, then there will be some trouble with executions. He then cited the annual letter that is disseminated to all the equity and fixed income managers stating that whatever brokerage firm the manager uses should achieve the best discount and best order of execution, commence trading through that firm and if you do such, the Wellesley Group gets credit for this.

The consultant stated that he would compose a letter to submit to members of the subcommittee explaining the soft dollar commission program and how it affects the Retirement Fund.

There being no further business, the subcommittee unanimously agreed to adjourn at 10:50 a.m.