RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 559th Meeting of the Retirement Allowance Committee was held on Tuesday, August 22, 1995 at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. I. Thomas, Chairman	Mr. E. Hill, Vice Chairman
Mr. J. Williams	Mr. T. Stevens
Mr. L. Brown	Mr. W. Buetow

Mr. D. Perk, Executive Director, was in attendance, Mr. L. Morris sat in Ms. Black's stead. Mr. L. Sanford sat in Mr. Burrus' stead. Mr. R. Baughn sat in Mr. Collins' stead. Ms. P. Beavers sat in Mr. Holzman's stead. Alternates also present were M. Caffery, B. Rayford and R. Schultz. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. F. Duda, C. Ambrose, S. Ross and C. Sullivan of Harris Trust and Savings Bank were present. Mr. R. Burke of Burke, Warren & MacKay was present. Messrs. B. Scholz, C. Spears and Bill C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 12:25 P.M.

2. A roll call was taken which indicated that a quorum of Committee members was present.

3. On a motion by J. Williams, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 558th Meeting of the Retirement Allowance Committee.

4. The Investment Subcommittee meeting was held on this date with Mr. Tom Collins as Chairman.

   Mr. Collins stated he had received correspondence from Hart Bornhoft Group stating they would like to come before the Committee to discuss their termination. The letter also stated they would be in town this whole week and would be available to come in and talk to the Committee. The Chairman suggested an Executive Session to discuss this. The Committeee adjourned to an Executive Sessions.

After the Executive Session there was a presentation by Twentieth Century Companies represented by Stephen M. Barney and Jeffrey J. Szablewski on their separately managed account. They are building up their international capabilities. There were some questions from the Committee. Mr. Collins told these gentlemen the Committee was pleased with how well their company is doing.

Another presentation was made by Ariel Capital Management, Inc. and their representatives John W. Rogers, Jr., Randall C. Hampton, Mellody Hobson and Carolyn J. Stanek. They discussed how many new people they have hired and their long term relationship with the Fund and how the last two years have not been as profitable as the previous 8 years. There were various questions from the Board. The Chairman asked why the numbers were not good compared to the other two managers in their classification. Their strategy is to invest in small to medium sized companies that are consistent and have high return on assets for example they invest in companies that make bleach or cards, etc. because people do not defer the purchase of bleach but they will a car. They felt the future looked good.

Mr. Joachimi discussed with the Committee how the last 5 years have not been good for Ariel. He found it difficult at this time to release Ariel but the next time funds are needed, the Committee will have to look at them again.

Mr. Joachimi discussed the report he gave the Board on all the money managers. He had concerns with the growth area and the fixed income area.

On a motion by Mr. Hill, seconded by Mr. Brown, the Committee unanimously approved the Investment Subcommittee Report.

5. Mr. J. Williams, Chairman of the Real Estate Subcommittee, reported on the meeting held this date. Mr. Kevin Lynch of The Townsend Group informed the Committee about RREEF's proposed new fee structure. The fees have been negotiated to a point where they are reasonable and below industry standards. Mr. Lynch wanted the Committee to act upon it. If there is no action, fees will increase January 1, 1996. The new fee structure beginning January 1, 1996 will save the CTA approximately $30,000 the first year; $78,000 the second year and $90,000 the third year.

   711 Jorie will be set up differently. This is a big asset and only one tenant (McDonald's). The fee structure will be fixed at $50,000 whereas under the old contract it would cost the Plan anywhere from approximately $100,000 to $120,000. It is a substantial savings.

The fees were fixed on the mortgage that was being collected on 20 N. Michigan. For example, on the land holdings, which are 191 N. Wacker and Elk Grove, the fee would be $66,000 under the old structure and under the new proposed structure it is $39,000. It is a substantial savings. On 191 N. Wacker, RREEF makes sure the building is secure, the property taxes and insurance are paid. The property taxes are substantial on that building; they are over $400,000 a year. Mr. Lynch and Mr. Burke have (1) analyzed these savings; and (2) the fees have been negotiated. The plan will start realizing a savings starting January 1, 1996. Disposition fees are fixed at 1% unless there is not a broker involved. If there is no broker involved it will be 2-1/2% (normally it would be 3 to 4%). The only two outstanding dispositions as it stands are Lake County Industrial in 1996 and 635 Remington, which they anticipate selling in 1997. There is an option on the McDonald's property that they have to exercise by the year end 1997. If they do not exercise the option to acquire the property, that lease goes to the year 2000. The Committee voted to accept the RREEF proposal with corrections to be made by the Plan Attorney.

A question was raised regarding REEF Retail REIT. Mr. Lynch said an election is postponed until December. We have to decide if we take the cash or contribute to our assets. We will have no idea of the appraisal of those assets until 60 days before the December 1. Sometime between October 1 and December 1 we will get an estimate of the value from Arthur Anderson. The issue before this Committee will not be until some time in November.

Mr. Perk reported that there is a contract pending on the Paragon property. The appraised value is $1,850,000. There is a contract for $2,050,000. When that is finalized and those monies are paid it is the end of PRITA. The trustees agree that some money will be held back to close out that fund. Mr. Perk thought that would involve some legal fees to close PRITA.

Mr. Perk discussed another problem regarding RREEF. Mr. Perk was notified on August 17 that RREEF wanted to drawdown $3,038,000 and wanted it wired on August 18. Mr. Perk told the bank to stop the wire because we did not have this amount. We had told RREEF we wanted 10 to 15 days notice prior to a drawdown request, and we did not receive this. Mr. Perk discussed this issue with RREEF, Messrs. Lynch and Burke and stated prior to a drawdown request supporting documents would be needed. Subsequently, the documents were received wherein the authority for the build out of 711 Jorie Blvd. was recited. The Committee gave Mr. Perk the authority to use the $24 million from Hart Bornhoft. Mr. Perk discussed it with Mr. Wolkoff and was told the monies need to be paid for the build out of 711 Jorie Blvd. by September 1. The Committee approved using the funds from Hart Bornhoft.

On a motion by Mr. Brown, seconded by Mr. Hill, the Committee unanimously approved the Real Estate Subcommittee Report.

6. Mr. T. Stevens, Chairman of the General Administration Subcommittee, reported on the meeting held this date. Mr. Stevens requested approval of items 6a through 6s.

Mr. Perk discussed two contracts -- Ernst & Young and Wyatt (which was merged with a London company and will be known as Watson Wyatt Worldwide). Mr. Losk is retiring. Mr. Losk will bring in his replacement next week. Mr. Perk asked the Chairman to sign off on these contracts. The Chairman said he wanted to read them and will sign off on them.

Mr. Forte discussed Geraldine Gale. The Committee will follow-up on this next month. Mr. Forte had one item to be discussed in Executive Session.

The Chairman asked Mr. Stevens about all the "return to duty" individuals on the agenda. Mr. Stevens said Mr. Czech would discuss the disability issue next.

Mr. Czech discussed the disability questionnaire form and parts that had been deleted after suggestions by the Committee and after a meeting with Mr. Burke. The amount of Workman's Compensations settlement has been deleted from the questionnaire as suggested by the Committee. It was stated the only thing the Committee is interested in is physical conditions. Mr. Thomas wanted it stated for the record the purpose of this document is for a physical observation not for a blood and urine test.

Mr. Czech discussed how Messrs. Forte and Bruen have been working the last three months scheduling individuals for return appointments. When an employee goes on disability, the Medical Department set the appointments for 3 months. This appointment takes away the need for this questionnaire. At this time they are only dealing with the 600 people currently on disability. Mr. Czech said if a person was considered permanently disabled at the time of his/her retirement, they would not be called in for an exam. A person on Medicare disability would not receive a questionnaire. We are just trying to update our files to see who needs to be called in for a medical. Mr. Williams wanted to know how often would they be called in for a medical. Mr. Czech said it depends on what is written by the doctor and if he said the individual would be able to return to work for example in 6 months. Then in 6 months, there would be a follow-up. No one going on disability the last 3 months will receive one of these forms because Medical is taking care of this and the follow-up date is on the record.

Mr. Thomas wanted to know about question No. 7 -- lump sum payment "Have you ever received a lump sum payment as a settlement for a Worker's Compensation

Claim from any employer other than the Chicago Transit Authority?". When you received a lump sum settlement for disability as explained by Workers Compensation, that disability is in fact over. You cannot submit claims on that disability. That disability has been settled. If you submitted some type of claim relating to that disability, it would not be honored. Other questions were asked by the Committee. Ms. Rayford had a problem with the following part of question 8: "...If Social Security Benefits were awarded what is the amount of your monthly benefit..."

A motion was made to accept the form with the changes.

Mr. Czech discussed the notification of hires, rehires, etc. which are submitted to Pensions on a weekly basis. It is followed up with a letter to Pensions. Pensions does not take any action until that letter is received. Sometimes that letter could be delayed for two weeks. Mr. Forte said the only thing the Pension Office use the printout for is to pull someone's check if they have been taken off disability and nothing else is done until the letter is received. In fact, Pensions is notified twice. Mr. Perk and Mr. Czech will meet to discuss cutting out one of the forms.

Mr. Czech gave the Committee books on disability/Social Security/Medicare.

Mr. C. Andersen gave a presentation on health insurance. Mr. Andersen said they found that over 50% of disability retirees are on Medicare and they have full time benefits from CTA Insurance. CTA becomes primary as opposed to Medicare and it is costing a lot of money. Pensions/Benefit Services are in the process of discovering who those individuals are, notifying those individuals and transferring those individuals from CTA as primary over to Medicare. Thus, CTA is secondary. Benefit Services is working with Pensions and Dick Burke's Office. Mr. Perk said many retirees tell him they do not report they are on Medicare because of the $46.10 that is deducted if they are drawing Medicare. Benefit Services is in the process of identifying these people and giving them 6 month to get Medicare B because it does take a while. They want to lower some of the premium values on claims we are experiencing. There will not be any benefits taken away. There was discussion about picking up the Medicare B portion ($46.10).

Mr. Andersen also gave a presentation on the surviving spouse benefits. Not too many retirees are taking the benefit and he was given the task to see what is wrong. The reduction is too high and people are finding an alternative to that reduction. They are getting life insurance. Mr. Andersen is trying to find a way to offer an annuity at a lesser cost. There are approximately a dozen companies that do something like this. The cost is 25 to 35% of the cost being charged through the Plan. Benefit Services is looking into different plans. A discussion ensued regarding this.

The Plan Attorney will work with Messrs. Czech and Andersen to draft a rule about Medicare being the primary care.

At the next meeting they will discuss a pre-retirement seminar.

On a motion by Mr. Brown, seconded by Mr. Hill, the Committee unanimously approved the General Administration Subcommittee.

7. Old Business - Adjourned to Executive Session

8. New Business - None

9. Financial Report - The Executive Director then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that for the month of July, 1995, the performance for the total fund was 2.83%, and the value of the total assets of the Plan as of July 31, 1995, amounted to $1,298,930,930

10. There being no further business, the Committee unanimously agreed to adjourn to Executive Session at 12:40 P.M.

Executive Director,
Retirement Allowance Committee

Chairman,
Retirement Allowance Committee

Dated: December 19, 1995

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