RETIREMENT PLAN FOR CTA EMPLOYEES
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NOTICE

RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, FEB. 27, 1996 AT 8:30 A.M.

THIS WILL BE FOLLOWED BY THE INVESTMENT SUBCOMMITTEE AT 9:30 A.M., THE REAL ESTATE SUBCOMMITTEE AT 10:30 A.M., AND THE RETIREMENT ALLOWANCE COMMITTEE MEETING AT 11:30 A.M.

THE MEETINGS WILL BE HELD AT THE HARRIS BANK, 111 W. MONROE, IN THE EXECUTIVE DINING ROOM ON THE 37TH FLOOR IN ROOMS A AND B.

notice.mtg: February 5, 1996

AGENDA

FOR THE 565TH RETIREMENT MEETING OF FEBRUARY 27, 1996

1. Meeting will be called to order at 11:30 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 564th Meeting held January 23, 1996.

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) Erlinda Lapid - #19171 - (disability) - request for retroactivity to 10-01-95.

      (ii) Ruth Pearson - #13909 - (disability) - request for retroactivity to 01-01-96.

      (iii) John Hanning - #18088 - (disability) - request for retroactivity to 02-01-96.

   d) Presentation of Death Benefits for approval.

   e) Presentation of Refunds of Contributions for approval.

   f) Presentation of Bills and Remittances for approval.

   g) Vincent Gerybo - #7004 - returned to duty 02-07-96.

   h) James Haynes - #17114 - Resigned and vested under Section 11 of the Plan.

7. Old Business

8. New Business

9. Financial Report

10. Adjournment.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 565th Meeting of the Retirement Allowance Committee was held on Tuesday, February 27, 1996, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. J. Williams, Sr.
Mr. T. Collins
Mr. L. Brown
Mr. E. Hill, Vice Chairman
Mr. T. Stevens
Mr. W. Buetow

Mr. D. Perk, Executive Director, was in attendance. Mr. R. Baughn sat in I. Thomas' stead. Mr. C. Lang sat in Mr. Burrus' stead. Mr. L. Sanford sat in M. Holzman's stead. Alternates also present were L. Morris, P. Beavers, R. Schultz and L. Murray. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. B. Baker and C. Ambrose 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 11:25 A.M.

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

3. On a motion by L. Brown, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 564th Meeting.

4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held this date.

   Mr. Collins told Mr. Joachimi that benefit payments were paid on February 26, 1996. Mr. Collins said we wanted to know who we should take money from to pay pension benefits. A decision was made to pay quarterly bills taking $5 million from 20th Century, $12.5 million from Ariel Capital and authorize the Pension Office to take as much as $20 million from Ariel in the event it is needed. There was a discussion regarding how much money is needed each quarter by the Pension Office. Mr. Perk said that probably $15 million to $17 million would pay all the bills. He figures the contributions (employer/employee) will be $3.6 million per month. Mr. Joachimi said we would have to make a decision again in 3 months. Mr. Perk wanted the Minutes to clearly state the cap that could be drawn down and what properties it is to be drawn from. The only concern he had was that the Committee may dictate it should come from one of the equity managers who may not at the time have cash in that account. We have to give them some lead time to sell off investments to generate the cash. Mr. Ross told how $2 million was taken from Delaware when we were short with prior approval of the Chairman. Mr. Perk said we will only draw what we need to pay the bills. The recommendation, according to Mr. Collins, that will come from the Committee will be to authorize up to $25 million that was suggested by the Consultant where the Administrative Office will draw down as needed. Mr. Perk said the Pension Office will not under any conditions draw down any money at any time without prior knowledge of the Chairman, Vice Chairman and Chairman of the Subcommittee.

Mr. Joachimi said we are looking to reduce our equity numbers because we are over our goal of 65%. We are looking at the trouble areas. Two of the trouble areas are in the aggressive growth -- 20th Century and Ariel Capital. At the next meeting Mr. Joachimi would like to discuss the growth area.

Mr. Joachimi told how Amalgamated Bank received $9 million and has the Harris Bank managing it, and we are getting a lower return. He suggested moving that money from a short term to intermediate term, fixed income with the Amalgamated Account.

There was a discussion regarding the amount shown for Morgan Stanley and what was shown for the Bank of Ireland. The Bank of Ireland was funded February 9,1994 and Morgan Stanley February 1, 1994. Mr. Joachimi will look into this matter.

Mr. Hill asked a question about the 65-35 asset allocation. Mr. Joachimi does not recommend taking money from a fixed income group. Bears, Stearns, Weiss, Peck & Greer and Wedgewood are long term fixed income managers. NCM Capital, W. R. Lazard, Amalgamated and Chicago Title are intermediate term fixed income managers. At the next meeting, Mr. Stevens would like a list of which of the fixed income group is long term and which are intermediate term. compare and separate them out. We want to make sure we compare them to the correct benchmark.

Mr. Stevens asked for an Asset Allocation Study and a breakdown. We have not had one since 1991.

Mr. Collins asked if it was fair to compare the benchmark group with the restrictions we put on them. Mr. Joachimi thought it was. Mr. Joachimi said no one disagreed with the benchmark when we first put it in place.

The first presentation was made by Delaware, an income manager, who were represented by James R. Peters and Kevin Melich. It was noted that Delaware has been an asset manager with the Plan for the longest number of years (since 1977). As of April of 1995 they are a wholly owned subsidiary of Lincoln National Corporation. Delaware will still be the same organization with the same employees, etc. They are a defensive manager and value oriented, and they are a dividend yield manager.

The second presentation was made by Fidelity Management Trust Company, who were represented by Oliver Franklin and Steve Peterson. Fidelity is really not involved with technology. After three strong years of corporate earnings growth in the United States, 1996 is going to be a year of relatively flat corporate year earnings growth. There will be very little change from 1995. In that type of environment, it is straight forward what types of stocks the Market perceives to be more attractive than others.

Mr. Hill made a comment - that the main and most important thing for our Pension Plan is performance and over the year Fidelity have done that very well. Also, over the years on the client service side we had not heard too much from Fidelity.
Mr. Hill commended Mr. Franklin for doing such a good job in the last year since he started working for Fidelity.

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

5. Mr. J. Williams, Sr., Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

The first presentation was by Mr. Shep Burr of Multi-Employer Fund. He reported on the progress of the Fund's investment in this property trust. He discussed how the Multi-Employer Property Trust invests in new construction, commercial real estate and multi-family residential projects.

The Plan invested in this fund with $10 million in 1990. It has since grown to $11.6 million.

The second presentation was by Mr. Kevin Lynch of Townsend on CNL Leasing. Mr. Lynch explained about CNL (Corporate Net Lease) who met with the Board 6 months ago. CNL is a New York Stock Exchange Listed company that specializes in properties like a Walgreens, Wal-Mart or Borders Books, a variety of retail stores which are all free standing.

What they initially proposed was they wanted the Plan to buy some of their stock. Instead of paying 100 cents on the dollar for the stock, they would be willing to sell it to the Plan for $.95. It would be a discount because there would be no brokers, etc. Mr. Lynch said they did not think it had much real estate appeal and went back to them and suggested that we believe in the concept, and we will put up some money to acquire some properties along with CNL. The proposal was we were going to buy only income-oriented properties. These were all long term net leases which means the tenant pays for all the taxes, maintenance, with a minimum term of at least 10 years. The size of the building would be anywhere from 10,000 to 50,000 square feet. CTA would put up $15 million. CNL would put up $3.75 million for a total of $18,750,000. We would borrow another $9.5 million since it is a very favorable interest rate environment.

Mr Lynch said then we discussed what are the rights that CTA has as an investor. The initial proposal was 200 basis points. They came back and reduced it to 100 basis points. They negotiated the asset management fee currently to 75 basis points. Mr. Lynch thought rather than giving them a flat fee, the reason we are going into this investment is to generate income and part of their fee depends upon investment returns. We are going to cut that almost in half to almost 45 basis points on the cash that is distributed to the CTA over an 8% return. As the properties appreciate and they distribute more cash, they will receive more fees. If CNL buys these properties from CTA, there is no disposition fee. One of the problems that always has been associated with real estate is the only way you can get out of it is put it on the market and sell. We want more options than that. The second option is if we say we value these assets equally if after two years CTA said I want to sell, CNL, at their option, can either give stock equal to the value of the real estate or they can give cash for the real estate. The third option is what is called a "Buy/Sell Agreement". That means if we say the assets are worth $100.00 and we go to CNL and say we are willing to buy their share for $100.00 and if they say no, they are then obligated to buy our interest at the same price. The reason you would do this is to gain control of all the assets. The reason we want to pursue this is it would generate income of approximately 9-1/2% return paid monthly to the Plan. Mr. Lynch said the Plan would have the benefits of the real estate. The Plan would have liquidity, and he thought it was the first time an advisor has an investment with the Plan's investment so there would be an alignment of interest.

Mr. Burke is completing the legal paperwork and Mr. Lynch would like at the next meeting a motion to move forward with the transaction. This funding would not have to occur until the end of the second quarter or even into the third quarter.

Mr. Burke said there would be properties in different states, and we have to decide if we go into this as a limited partnership form or as a limited liability corporation. Mr. Burke said it depends upon tax laws in various states. Some of these states will tax the investment even though the plan is a non-taxable paying entity, which means it would be a slight lower return. Most frequently in limited partnerships you do not have the right to demand that you can sell something. Mr. Burke did not think the Committee wants to get in the position of being a general partner because then the Plan is liable for all the responsibilities that go with the venture. Mr. Burke and Mr. Lynch are trying to look at it state by state so they can find the best comfort level and at the March meeting they will present this information.

Mr. Burke said the 191 Wacker project is moving ahead as the Committee so directed. It has been put on the market for sale. His office is also working with the City in getting demolition permits to tear the building down. He thought the permits would be obtained by summer and the building would start to come down in mid-summer and it should be completely down by the end of the year.

Mr. Hill said he received a letter regarding a sale of some Meridian property. Mr. Burke said the sale was over a million dollars and should be coming in during the second quarter.

On a motion by Mr. L. Brown, seconded by Mr. Stevens, 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 a through h. Present for the meeting were W. Buetow, J. Williams, Sr., L. Brown, W. Black and T. Stevens.

Mr. Collins asked if the James LaFollette matter has been settled. He will be receiving a refund.

It was also asked what was the status of the R. Pirovano Case. The Plan Attorney said it is proceeding through Federal Court where Mr. Pirovano is making a claim regarding his discharge. The Court has not yet passed upon as it is in the recovery stage. The Plan Attorney was asked by Mr. Morris what is the maximum Mr. Pirovano could receive. It would be the amount of unpaid compensation he would have received from the Retirement Allowance during the period of time he was not working.

Mr. Brown asked who was James Allen. Mr. Forte answered that he was the individual who took CTA to court because of insurance. He was off for 6 months. He returned to work and found out he could have gone on disability. Dependant insurance coverage was taken out when he received retroactive disability benefits. Mr. Allen has filed suit to get back this insurance but he will not come in for a deposition. According to the Plan Attorney Mr. Allen told them he will not come in for a deposition because he might say something that will hurt his case.

Mr. Forte said the Disability Committee has had two meetings. 18 people were sent to the Medical Department. Their doctors had said they could return to work.

It was recommended that the retirement date for Dorothy Halter, a Warehouse Worker, be moved up from 4/1/96 to 3/1/96. She has 7 years, 5 months service.

The Plan Attorney recommended that we stop the benefits which are paid out to Raymond Hendricks also known as Raymond Henderson, who the Committee did not receive the disability forms from because he was in the Correctional Institution in Lincoln, Illinois. The Plan Attorney checked his case out and there is neither a Hendricks or Henderson at this facility. There was a discussion and it was decided to take him out of payment.

Mr. Perk said the Pension Statements will go out in March. At the next meeting there will be a pension maximization report on the insurers by Charles Andersen. Mr. Andersen should have 2 or 3 companies that are interested in this. The employee retiring would buy an insurance policy rather than taking the survivorship option. Also, there will be a briefing on the pension seminar by T. Czech and M. Pollack.

On a motion by Mr. Collins, seconded by Mr. Williams, the Committee unanimously approved items 6a through 6h.

7. Old Business - The Plan Attorney told how the RFP's were sent out and have been received in Mr. Perk's Office. Five out of six responses were received. They were received from Citibank, Amalgamated, Northern Trust, First Chicago and LaSalle National. An RFP was sent to Chicago Title and Trust, now known as Chicago Trust Company, who did not respond. All of the material is in Mr. Perk's Office and what Mr. Perk was looking for was direction from the Committee on what should be done with the material. Mr. Hill recommended that the Chairman and Vice-Chairman meet the week of March 4, 1996 to pick a Committee to work on this.

On a motion by Mr. Brown, seconded by Mr. Williams, the Committee unanimously approved Mr. Hill's recommendation.

8. New Business - Mr. Perk reported that Mr. Joachimi gave him a check for $52,243.77. That was in addition to a check he gave previously of $27,894.52. That is about $80,000 that was gained as a result of the soft dollar program that we implemented where some trades were made for our credit. All of his fee which would have been $155,000 cash has been paid by soft dollars. No cash went out of the Fund to pay his fee. In addition to that we received $890,000 because of that program.

Weiss, Peck and Greer Venture Fund has had two investments that have appreciated. Mr. Perk thought the Committee would like to know thus far out of the $10 million committed, $3,751,000 has been invested and the current value of the $4,300,000.

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 January, 1996, the performance for the total fund was 2.1%, and the value of the total assets of the Plan as of January 31, 1996, amounted to $1,369,791,348.

10. There being no further business, the Committee unanimously agreed to adjourn at 11:45 A.M.

Executive Director,
Retirement Allowance Committee

Chairman,
Retirement Allowance Committee

Dated: March 26, 1996

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