RETIREMENT PLAN FOR CTA EMPLOYEES
10 SOUTH RIVERSIDE PLAZA
SUITE 1625
CHICAGO, ILLINOIS 60606

(312) 441-9694

NOTICE

RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, MARCH 26, 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.

AGENDA

FOR THE 566TH RETIREMENT MEETING OF MARCH 26, 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 565th Meeting held February 27, 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) Angel M. Aviles - #9294 - request for retroactivity to 03-01-96.

        (ii) Kevin L. Hoey - #16406 - (disability) - request for retroactivity to 01-01-96.

        (iii) Jose Mendez - #21426 - (disability) - request for retroactivity to 01-01-96.

        (iv) Druscilla J. Smith - #5310 - (disability) - request for retroactivity to 11-01-94.

    d) Presentation of Death Benefits for approval.

    e) Presentation of Refunds of Contributions for approval.

    f) Presentation of Bills and Remittances for approval.

    g) Eddie B. Beard - #21459 - 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 566th Meeting of the Retirement Allowance was held on Tuesday, March 26, 1996, 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. T. Collins
Mr. L. Brown
Ms. W. Black
Mr. T. Stevens
Mr. W. Buetow

Mr. D. Perk, Executive Director, was in attendance. Ms. Brenda Rayford sat in J. Williams' stead, Ms. L. Murray sat in C. Burrus' stead, Ms. P. Beavers sat in E. Hill's stead. Alternates also present was L. Morris. L. Smith, J. Forte and A. Dungan of the Pension Office Staff were in attendance. R. Walker, A. W. Barnett 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, Bill C. Gilmore and J. Henderson were also in attendance.

1. The Chairman called the meeting to order at 11:20 A.M.

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

3. On a motion by T. Collins, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 565th Meeting.

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

   Mr. Rollyn Hoffman represented The Wellesley Group and reviewed the Asset Allocation Study that was done a few years ago. He brought updated reports. He suggested the Committee think about replacing Chicago Corp. At the next meeting The Wellesley Group will have some suggestions and discuss where the Plan should go from there. There was a discussion of what different money managers goals were compared to how they performed. It was suggested by Mr. Stevens that the next time the money managers came in the Committee start building a file asking them what they can do; for example, -- you have been with us 5 years, 10 years, etc. will it be 20 basis points more over 5 years will it be 50 basis points more over 10 years. -- The Committee should have some sort of format for future Committee members so they will have some idea of what went on. Mr. Thomas asked if it was practical to get that type of letter from managers. Mr. Hoffman answered that the understanding between CTA and the manager is that their goal is to outperform the index. If we say we want 200 basis points, and they say we would have to change our style to expect 200 basis points over the Index then we make a decision to cut back that 200 basis points. On a quarterly basis Mr. Stevens said we would not then gage managers but on 3, 5 or 10 years they could tell us what they expect to do over that 3, 5 or 10 years time period. We should take money away from those money managers who promised they would do for example 200 basis points and they have not been performing.

The first presentation was made by the Bank of Ireland, value managers, who were represented by Gerald Colleary and Zoe Malcolm.

Mr. Colleary discussed the general style of how Bank of Ireland manages money for the last 30 years. They have $15 billion in assets around the world. They have clients in Ireland, USA, UK, South Africa, Canada and Australia. Their business has grown and their staff has grown from 6 to 16 in the last couple of years. They try to identify value companies which they believe will have superior earnings in the years ahead of a 3 to 5 year cycle.

Mr Perk asked Mr. Colleary what his position would be if the Committee suggested to him that they want a comfort level that Bank of Ireland would outperform the index by for example, 200 basis points. Mr. Colleary said based on clients in the USA that for 5 years he has managed money, they have outperformed the benchmark index by over 600 basis points. Ms. Malcolm discussed the market index returns.

The Plan Attorney asked whether they recall the projection they made regarding their performance. They answered they expected to outperform the Index by 2% annually. Mr. Stevens asked how many basis points they outperformed since they were retained by the Plan. Mr. Colleary answered up to the end of February, 1996 they outperformed by 430 basis points.

The second presentation was made by W. R. Lazard Co. Representing Lazard were William Schultz, Jane Thompson and Donna Purnell, a fixed income group.
Ms. Thompson and Ms. Purnell are located at the Chicago Office. In the Chicago Office they intend to not only conduct new marketing efforts for the firm nationwide but they also are also servicing our current clients.

Mr. Schultz discussed the portfolio management side. He discussed performance of funds and how it has grown. The fund has grown from the $20 to $28.6 million. It was a 43% return over 4-1/2 years.

Mr. Stevens asked W. R. Lazard Co. asked what their performance would be compared to the Index. Mr. Schultz answered they do not go by basis points.

Mr. Collins discussed how the Chairman of the Retirement Committee gave Jerry Williams, Sr., William Buetow, Craig Lang and himself the task of going over the materials received on the RFP's regarding the custodial change. Mr. Lang will decide how to distribute the RFP's. Mr. Lang has prepared a process for evaluation of the criteria which we had listed in the RFP explaining the factors the Committee will have to look at. The Plan Attorney and Mr. Perk will also join the above group in checking the RFP's.

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

5. T. Stevens, a Member of the Real Estate Subcommittee, reported on the meeting held this date.

Members in attendance were T. Collins, T. Stevens, L. Brown and W. Buetow.

Mr. Kevin Lynch of Townsend discussed the 4th quarter report. The Plan has outperformed the Indexes for the past 5 years according to the report. The final property in the PRITA Portfolio has been sold and the money has been distributed. The Country Lakes Apartments were sold for $11 million. The 711 Jorie Property will probably be sold in the next year.

Mr. Lynch then brought up the subject of CNL (Corporate Net Lease) again. A presentation was made by Mr. Lynch at the February meeting.

Mr. Lynch refreshed the Board's members and explained what CNL was. A New York Stock Exchange Listed company that specializes in properties like a Borders Books, Wal-Mart, etc., large single tenant users of this retail space on a long term lease of 15 to 20 years that are guaranteed by the corporate parent. There are 156 properties located in 26 states

Mr. Lynch said what they want to create was an income oriented investment with long term retail net leases. CTA would invest $15 million, 80% of the total. The public stock exchange company would add $3.75 million of its own money so they are investing side by side with the CTA. The total equity is $18.75 million, and we are going to borrow $9.5 million so we would have $28 million to invest total among all these properties.

Mr. Lynch would like to move forth with this investment. He and the Plan Attorney think it would be a worthwhile investment. Mr. Thomas asked where these properties were. Mr. Lynch said they are in 26 states, for example, Oklahoma, Florida, Texas, Pennsylvania and Georgia and the majority are in Florida and Texas. The only person that can execute a Buy/Sell Agreement is the Plan. It means if the Plan wants to buy them out and if CNL said no, they have to match the same offer but CNL cannot force the Plan to sell. There will be consistent cash flow, commercial net lease property on 15-20 year leases, half the properties are brand new and the Plan has total control.

It will take 90 days to fund it and as the money is being funded, we would get 9% from that time forward. This 9% is after all fees and expenses. If they build the assets for example, a Eckerd Drug, there is no acquisition fee. If CNL buys your share for stock or cash, there is no disposition fee. CNL's asset management fee is 45 basis points. As the Plan's cash flow increases, CNL gets higher fees but if it drops their fee disappears.

The Plan Attorney discussed how the investment would be structured. The initial proposal from CNL states it would be a partnership. There was a discussion between the Plan Attorney, CNL and Mr. Lynch and it was decided to form a limited liability corporation where there will be a corporate structure rather than partnership structure. The Plan would have stock in the corporate structure; 80% of the stock effectively speaking. A limited liability corporation is taxed as if it is a partnership so the tax flows down to the individual shareholder, and the concern the Plan discussed with Mr. Lynch is that a limited liability corporation can be used in all the states CNL operates in except 3; Texas, Florida and Alaska. A partnership structure can be used in those states but there are two concerns. First of all, in those states they have a tax right at the ownership level. The Pension Plan is not taxed on that income from investments whether it is dividends, interest or capital gains because of its tax free nature. The Attorney said we are anxious to avoid that tax unless the return is so large in those states that it makes up for the tax. The Plan Attorney feels if they decide to do this, Mr. Lynch should be comfortable with the states we are going into recognizing the difference in the tax structure. Secondly, the preference would be to go to limited liability corporation. CNL does business in 26 states and in this way the Plan's assets are protected.

Mr. Lynch and Mr. Burke wanted a formal motion authorizing it subject to the preparation of the appropriate documents reflecting economic provisions.
Mr. Thomas wanted to know where the money is coming from. It will have to come from equities according to Mr. Perk. The Investment Subcommittee will have to review this. Mr. Lynch said the Plan would not have to do any funding until after June 30, 1996, and then we will have 90 days which would put it at September 30,1996. On a motion by Mr. Stevens, seconded by Mr. Collins, the Real Estate Subcommittee approved the CNL venture (this is subject to concurrence

by Messrs. Hill and Williams).

On a motion by Mr. Collins, 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 introduced Messrs. Walker and Burnett of Harris, but starting Monday, April 1, 1996, they will be employees of Citicorp. Mr. Burnett will replace Mr. Baker.

Present for the meeting were L. Brown, W. Buetow, T. Stevens and T. Collins.

Mr. Stevens requested approval of items a through g.

There was a presentation by T. Czech. Mr. Czech discussed the survivorship option and how many elect to take this option. It seems few retirees elect to take one of the survivorship options. If full survivorship option is elected, a pensioner would not be receiving approximately $200.00 per month of their pension benefits. Mr. Czech used as an example if an employee retires at age 50 assuming 25 years of life expectancy, that would be a 25 year cost of $60,000 off their disposal income. The option is good, and it is felt it belongs there because some people do not plan for their retirement but it is felt it is a little expensive. Most employees do not deal with this until the time of their retirement. The cost of electing the survivorship option is high whether full option A or the B option are elected.

There are options that are reasonable in cost if you elect them at the right time. Mr. Stevens said another thing Mr. Czech is looking at we would put together an RFP for the Committee were we would send it out and pick 3 insurance companies to offer another option and it would be up to the employee to make the selection. Mr. Scholz make a suggestion that there should be a time limit for the survivorship option. He is retired 24 years, and they have been taking a deduction all this time and he and his wife are both alive. There should be a limit to the amount of time that the deduction is made from the pension check.

Mr. C. Andersen made a presentation and discussed about buying life insurance and if you want to buy this coverage at a cheap cost, you have to purchase it when you are young. He discussed pension maximization and how it came about was they looked at how many survivorship options that were being taken and these have dwindled through the years, Benefit Services received calls asking what employees should do, and Benefit Services always told them to go out and buy insurance and cover that obligation for a lot less. A presentation was made by Union Labor Life represented by Richard Halfenger, Michael I. Block and Frank Strocchio.

Union Labor Life is proposing a Pension Maximization Program. A short synopsis was given explaining Union Labor Life and its various division.

Mr. Strocchio explained their program to purchase permanent life insurance prior to or at the time of retirement.

If the retiree chooses to deposit $200.00 a month with Union Labor Life Insurance Company, it would provide him/her with $133,000 in life insurance and if he/she should die the spouse would receive $133,000 and could take for example $33,000 to pay bills and put the remainder in an annuity and receive for example $1200 or more a month. This was figured for a 65 retiree retiring right now. The spouse is better off than receiving a discounted pension from the CTA. If the spouse passes away before the retiree, then the retiree has many options. He/she can keep the $133,000 going and keep putting $200.00 a month in the plan and change the beneficiary to the children. That is one option or else the pensioner can cut the insurance down from $133,000 to $75,000 and not put any more money into it. This $75,000 would go to the children when the pensioner passes away. Another option is that the pensioner decides he/she does not need any more insurance. The pensioner can cancel the insurance and the $200.00 monthly deposit and the pensioner could get whatever the cash value of the insurance is and if it is 10 or 12 years after the policy was taken out, there would be $10,000 or $12,000 coming back to the pensioner.

The concept of this plan is to eliminate any risk in the pensioner's choices.
Mr. Brown asked if someone was on retirement could they get into this program. The answer was no -- this decision has to be made before retirement as it is with the survivorship options according to Mr. Andersen. Mr. Collins asked Mr. Strocchio if something could be negotiated where existing pensioners would be in on this plan. Mr. Strocchio said they will provide this benefit to anyone that is physically able to qualify for this insurance who is at least under 75 years of age.

Mr. Czech said they were considering having Wyatt look at the actuarial cost of the survivorship option compared to life insurance premiums. Another concept that has been talked about and maybe the Plan Attorney and Wyatt could look into. Wyatt. The plan would be that an employee could prepay for the survivorship option. The employee could invest 5% (the current contribution for employees is 3%) and 2% would be for prepaying for the survivorship option. The Plan Attorney told Mr. Czech that there is no problem in the Plan itself. It has to be worked out through bargaining (union and management).

Mr. Pollack said hopefully a Pre-Retirement Session will be held in June and all of the above will be discussed at the session plus deferred compensation, etc. Also, the new pension statement will be mailed at the end of the month, and a document in the form of questions and answers describing pension benefits, etc. will be mailed with it. This summary of the pension plan written by T. Paravola will be a good way to educate employees about the Pension Plan.

Mr. Brown wanted to know why it is necessary to petition the Committee if an employee wanted to use pensions benefits from other than the last 4 years. Mr. Perk said the computer automatically selects the top 4 years and if there is a better year in than the last 10 years, the person can request the Committee to use some prior year. The Plan Attorney said the plan says the best 4 years out of the last 10, and he said since this is the time of collective bargaining it should be changed to say just the best 4.

Mr. Forte reported on the disability retirement surveys. He sent 628 letters; 277 are permanently disabled; 197 are to be reviewed and 26 are to go back to work at their previous job or some other job; 53 did no response at all and 71 were over 66 years old. Mr. Forte pulled 53 checks of people who did not respond.

Mr. Lang brought up the question of why the 71 people who are over 66 years old are still on disability pension. Mr. Forte said the only way you can go into a regular pension is to come back to work. He questioned this. Mr. Forte said it cost more to bring them back. Mr. Forte said for example if the person went on disability at 1.70% and came back and took a regular retirement now he would get 1.85%. Mr. Lang said if they are not disabled, they should come back to work. Mr. Stevens wants a review to be made regarding this situation. Mr. Stevens said he wants a breakdown of 65 or 70 years old who are on disability.

Mr. Czech recommended an independent physician to go over the 197 cases quickly. For example, Blue Cross would do this. Pension will pick up this cost. Mr. Collins would like the approximate cost of this.

Mr. Allen's case was brought up by Mr. Forte. The Plan Attorney said the Court dismissed the suit.

There was also two bills; one from Albert Fabro Architects for approximately $5400 and the other was from Deloitte and Touche for professional services of $15,000 regarding the potential sale of 191 Wacker to Robert Morris College.

On a motion by Mr. Lang, seconded by Ms. Murray, the Committee unanimously approved items 6 a through 6g.

7. Old Business - None

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 February, 1996, the performance for the total fund was .82%, and the value of the total assets of the Plan as of February 29, 1996, amounted to $1,374.368,795.

With prior authorization from the Committee, $5 million from 20th Century to be transferred on March 29, 1996 and $1 million from Ariel's account to be transferred on that same date.

Mr. Perk also told that we will receive a distribution on March 29 from USA III in the amount of $919,740. $36.036.08 was transferred to Weiss, Peck & Greer for another investment which now makes 16 pieces of property that Weiss, Peck & Greer has invested and we share on a prorata basis with 9 other properties in this commingled fund.

10. There being no further business, the Committee unanimously agreed to adjourn at 12:30 P.M.

W K Perk

Executive Director,
Retirement Allowance Committee

Dated: April 23, 1996

Biah Thomas

Chairman,
Retirement Allowance Committee

a:\memos\566march