

AGENDA

FOR THE 579th RETIREMENT MEETING OF APRIL 22, 1997

1. Meeting will be called to order at 11:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 578th Meeting held March 25, 1997.
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) Willie Burton - #6660 - request for retro-activity to 04-01-97.
 - (ii) Edwin Szot - #9297 - request for retro-activity to 04-01-97.
 - (iii) Heriberto Gonzalez - #5099 - (disability) - request for retro-activity to 04-01-97.
 - (iv) Darnita Watt - #23603 - (disability) - request for retro-activity to 02-01-95.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Antonio Nunez - #08751 - returned to duty - April 9, 1997
 - h) Raymond M. Morton - #12935 - returned to duty - March 25, 1997
 - i) Herbert Jones - #13417 - returned to duty - April 17, 1997
7. Old Business
8. New Business
9. Financial Report
10. Executive Session
11. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 579th Meeting of the Retirement Allowance Committee was held on Tuesday, April 22, 1997, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

Mr. E. Hill, Chairman
Mr. W. Buetow
Mr. D. Anosike
Ms. S. Leonis

Mr. I. Thomas, Vice Chairman
Mr. L. Brown
Mr. T. Collins
Mr. J. Williams, Sr.

Mr. D. Perk, Executive Director, was in attendance. Mr. Lang sat in Mr. Steven's stead. Alternates also present were L. Sanford, P. Beavers, L. Morris, R. Baughn, M. Caffrey, B. Rayford and M. Green. W. Ross and A. Dungan of the Pension Office Staff were in attendance. Ms. P. Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren and MacKay was present. Messrs. C. Wesley, C. Spears, J. Henderson, B. C. Gilmore and J. Guerrero 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 Mr. Thomas, seconded by Mr. Brown, the Committee unanimously approved the Minutes of the 578th Meeting.
4. Mr. W. Buetow, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Members present were W. Buetow, T. Collins, S. Leonis, W. Black, D. Anosike and J. Williams, Sr.

Mr. Buetow passed out a cash flow projection chart of April 18, 1997. This was to bring the Committee up-to-date on the status of the fund and current involvements. The open cash balance at the time this form was prepared was \$14,643,000. Mr. Buetow discussed the decision made between CTA and the unions and the Pension Office to have a moratorium on contributions for the first 6 months of 1997. At the present time, the pension fund needs \$9.5 million per month to operate. There will be no contributions until probably August 1, 1997. That contribution will bring the Pension Fund 3.2 million. Mr. Buetow called their attention to the overpayment of CTA. That was discussed originally as an item to be drawn down on the first payment to the Pension Fund; however, that item has already been satisfied. That dollar amount which is shown as \$2.5 million is the monthly total and will now go

up to \$3.2 million. GAMCO was voted by the Committee to be terminated January, 1997. GAMCO's entire portfolio is to be reviewed by another manager that was hired.

20th Century aggressive growth involvement, which has a portfolio of about \$48 million, was voted to be considered for termination.

American National Bank Index Fund at the time of the preparation of the Monthly Pension Cash Flow Projection was about \$78 million. The money is being used to fund payment benefits.

Items to be funded -- Piper Capital was approved in January, 1997. It was Mr. Buetow's understanding from Northern and The Plan Attorney's Office that Piper is ready to come on board. The Plan Attorney said now that Piper has been approved, Ms. Newton of Northern may go ahead and send the termination letter to GAMCO.

RXR, which was approved by the Committee in January, has one item that has to be cleared up according to Ms. Beavers.

Mentor came on board in April and is undergoing the process at the present time.

Weiss, Peck and Greer Fund IV is also part of the cash flow projection. At this time Weiss, Peck and Greer Fund III and IV have been combined in the Cash Flow Projection. Weiss, Peck and Greer III and IV have \$2.5 million and \$8 million, respectively, in additional investment.

Ark Venture Capital started a funding process according to Mr. Buetow. That was a \$3 million investment over 3 years and that process has started and is listed as a projected draw at \$83,334. This could change on a monthly basis.

Items to be funded in real estate; Capital Associates - \$25 million has been approved, and the drawdown will be over a two year period. addressed.

CNL, free standing retail locations, is a real estate investment with a total drawdown of \$15 million at the end of April or possibly the beginning of May.

Kennedy Associates, Dallas Industrial, due May, 1997, \$1.4 million. Those are all in the flow as we condition ourselves to go forward.

American National Bank Index Fund is being drawn down at a \$15 million per month. It can be drawn down in its entirety whenever the Committee wants according to Mr. Buetow.

With all the items that are pending, Weiss, Peck & Greer, the pension moratorium, another commitment from Meridian which is a \$600,000 cash drawdown which should be satisfied in the current year, the Capital Associates and other payouts by the Committee are all reflected in the document. The document does indicate there is a positive cash flow ending balance all the way through the remainder of the year.

Mr. Buetow suggested this document be updated on a weekly basis and sent to the Committee.

Mr. Joachimi suggested having a special meeting regarding all the changes. Mr. Joachimi said there is also some unfinished business on the manager's search for the growth equity. He suggested putting it off until the next meeting.

Mr. Joachimi spoke about Delaware Asset Management where a group of 9 individuals broke away to start their own firm. Mr. Joachimi felt comfortable that nothing much is going to change. They are the largest Manager in the Fund. According to Mr. Joachimi, from the number of years they have been with the Plan, they have had a return after cost of better than 1%, better than the S&P. They have been a manger with the Plan for approximately 20 years.

Delaware Asset Management made a presentation because a group of 9 individuals broke away to start their own firm. Representatives from Delaware came before the Committee to inform them what is happening with the firm and how it is operating.

Delaware was represented by Richard Unruh, President of Delaware, Michael Weisbrot, Portfolio Manager, and James Peters, Client Services Officer.

Mr. Peters spoke about how some of the individuals who left their company were on the team that manages our account. He reassured the Committee that they have a team in place.

Mr. Unruh, oversees the group and the account and runs his own portfolios as well and is in charge of restaffing where it is needed. He told why these individuals left the organization because they wanted the freedom of starting their own firm. They are independent and do not like the team concept. Mr. Unruh said of the top 35 names in the Plan's portfolio, the group who left only followed 5 of them.

Delaware is not the type of firm that is on top one year and the bottom the next year. Everyone works as a team.

Mr. Weisbrot has been managing the Plan's Account for about a month. He spoke about their organization. The beginning investment with Delaware was \$19,342,463 in 1977. CTA has put in about \$48 million over the years and have taken out \$82 million and the value of the portfolio is \$235,633,290. They are taking much less

risk than the market and are getting strong market rates without taking aggressive holdings. There is lower volatility with their portfolios. Mr. Weisbrot spoke about different stocks in our portfolio.

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

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

Mr. Robert Apodaca of Kennedy Associates reported on the sale of the 10 properties in Dallas which should close in a few weeks. After the sale of these 10 properties, that leaves approximately 824,000 square feet and it is their recommendation that the Plan should acquire two additional properties in the Dallas market. These are to be built properties. Mr. Apodaca gave an update on two properties that we built a few years ago. Both properties are 100% occupied. One properties in 1997 will have a net operating income of a little over 11%. The second property, which was just occupied late 1996 by the U.S. Post Office, will have a net operating income of 12.8%. Kennedy Associates have identified two additional sites they would like to build out and acquire on the Plan's behalf. The two properties are valued at \$10,730,000. He requested an additional allocation of \$210,900 from the Plan. Of the two properties, one of them has been 75% preleased. Mr. Apodaca is confident that we can lease it up upon completion of the building. The second property is 66% preleased and he felt that the market was strong enough so that tenants can be found. Both properties upon completion would yield above 10%.

Mr. Hill spoke about the original commitment which was based on an overall projected return of approximately 10% but it has yielded 15%.

Mr. Lynch of the Townsend Group did not feel he could tell the Board to make a commitment because he did not receive information on these properties before the meeting. On a motion by Mr. Hill, seconded by Mr. Brown, the Committee unanimously approved the motion with the proviso that this additional allocation of \$210,900 will be given Kennedy Associates when Mr. Lynch looks over the information and approves it.

A presentation was made by Pat Hackett of RREEF Venture Capital Fund. Investors in this fund to date are Illinois State Teachers who invested \$50 million, Alcoa has invested \$10 million and the partners of RREEF have invested \$15 million. This will close in final form at the end of June, and Mr. Hackett said they anticipate RREEF will have approximately \$200 million plus or minus dollars in the fund in equity.

The Plan Attorney stated that the Plan has a management agreement with RREEF

to handle certain parts of the direct portfolio. From a point of view of structure, it is suggested that RREEF under its investment agreement with them have an expansion as they saw fit to make this investment. If there is a management agreement we can make nomination to Northern Trust like we have on other management agreements. Mr. Lynch said there may have to be a new agreement because there may be different covenants. The term of the partnership is 7 years; the first 3 years any money that RREEF does not invest they will return to the Plan. The projected return on our investment after fees is 15% to 20%. Mr. Lynch said they suggest a \$20 million investment.

Mr. Grant Berlin of Townsend gave the highlights of the fourth quarter report. Portfolio outperformed the Index for the quarter.

CNL and Capital Associates investments should help improve the portfolio and should help improve diversification of property type and location.

Mr. Williams asked about RREEF USA. Mr. Lynch said it is still in liquidation. They are selling all those assets. RREEF USA III matured on December 31, 1996 and they have already sold off 20% of those assets in the fund, and they anticipate that the Plan should get about \$7.5 million of their investment back this year and with the balance of about \$6 million back in 1998.

Meridian Business Campus -- there are a few assets remaining. There is quite a bit of vacant land remaining there. RREEF is marketing that land right now.

Mr. Apodaca reviewed Dallas Industrial. They expect to close on the partial sale of the industrial portfolio later in April or in early May.

RREEF is waiting for a permit from the City in order to pave the parking lot at 191 N. Wacker.

They are currently marketing 635 Remington Building. They had one offer at \$2.1 million. They expect to have several other offers in the next few weeks.

Lake County Industrial should close later this month

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

6. Mr. T. Collins, Chairman of the General Administration Subcommittee, reported on the meeting held this date.

Mr. Perk recommended that item (iv) under 6c on the agenda - Darnita Watt - not

be approved retroactive to February 1, 1995 because there is nothing in the file showing she completed 26 weeks. Her last day of work was July 28, 1994. It is a Workman's Compensation case and cannot be approved until it shows she completed 26 weeks. Mr. Perk suggested the Committee give staff approval to pay this amount of money when the file is complete, i.e., medical and the 26 weeks record that comes from Benefit Services. Mr. Hill suggested that this would keep from holding it up another month. On a motion by Mr. Williams, seconded by Ms. Black, the Committee unanimously approved a pension for Ms. Watt in the event that her file is completed.

Ms. Black spoke with 3 or 4 operators that applied for the incentive retirement program. They were caught in random testing and did not want to join the EAP Program and were told do not worry about going into the Program because you have already applied for retirement. They were given a date of 5/1/97, but now no one can find their papers. They are not on the agenda. Mr. Thomas said these individuals are not returning to work. They have the option either of going into the Program or retirement. They chose retirement. Mr. Sanford said he will check into the reason they were given a June 1 date instead of the May 1 date as promised. There was a discussion of dates given to individuals in the EAP Program.

Mr. Collins spoke to Mr. M. Bruen, and he reported they were prepared to give each of these individuals a 6/1/97 date. Mr. Collins asked for consideration for 5/1/97 based on the fact they are not returning to work. Mr. Hill said individuals who have been officially given their date by the Authority, the Committee certainly has the power to approve them to go. Individuals who have not been officially given their date by the Authority are not in the hands of the Committee. Mr. Hill agreed that if these employees are definitely not returning to work, they should be given the earliest possible date.

There was a lengthy discussion about who at CTA decides the date an employee will go on pension. Mr. Hill said the ultimate authority at the CTA is the President, and the President has given Human Resources the authority to set the dates. The object of the program is to allow the Authority to set the date so that it can continue to run its business. Mr. Hill told the union members to give a list to Mr. Sanford of individuals who have put their papers in and who are in the position of not working now and will be unable to ever come back to work. Mr. Williams would like to have Mr. T. Czech, Vice President of Human Resources, before the Committee at the May meeting but Mr. Hill hopes this situation will be resolved before the next meeting.

The Plan Attorney brought up the fact that he received a letter from Mr. Brian T. Winburn. He stated he signed the election waiver for the early retirement incentive program and was "unjustly discharged" on March 26, 1997. Mr. Winburn was requesting that he be allowed to retire under the early retirement package at the 2.4%. Mr. Burke said he did not have any facts. Mr. Collins said the

question is whether he would get 1.85% or 2.4%. Mr. Collins wanted to know how it is decided whether a person gets the 2.4% because they are on the property when the 2.4% factor was decided. The Plan Attorney said it seems to him that under the terms of the agreement we basically have to wait until that date is set for determination as regards to eligibility. An employee is eligible but the effective date is going to be governed by the date given by the Authority. The Plan Attorney said he will have to look over the file and report next month.

The Plan Attorney discussed a copy of a letter dated April 4, 1997 regarding Mr. George H. Garland. Mr. Garland stated he retired in 1981 and at that time he wanted his last 10 months of employment counted as one of his high 5 years but he was denied that because it was not a full year of employment. He said it was through no fault of his own because his department was closed down. He asked if he could work elsewhere to collect his full pension but he was denied that. He is asking if we can keep the 10 months but the rule does not permit that to happen. Mr. Perk replied that they have informed Mr. Garland that there was no provision at that time that the 10 month period could be used as a calculation of one year. Mr. Hill asked Mr. Burke to draft a response to Mr. Garland.

Mr. Collins brought up the fact that the Administrative Office and the Trustees, along with the Plan Attorney received a letter dated April 10, 1997 from Mr. Czech that asked for a response from this Committee. The main point of the letter seemed to be whether a union officer who retires will continue to be allowed to work on the Property as a union officer. The Plan Attorney said they are looking at this and will be drafting a reply. Mr. Czech stated in his letter that if the union officer is on leave of absence they cannot retire under the program and still continue to serve pursuant to the union by-laws. The thrust of that point is that a union officer if he retires cannot serve on the Committee. The other point Mr. Czech raises is that if the union officer does continue to serve there should be ongoing contributions for their service because otherwise the solvency of the Plan will be affected. Mr. Burke said his office will have a response for him shortly. Mr. Burke said that this is the first time that this question has come up with regard to union officers. Mr. Burke said he will check to see that there is no violation.

Ms. Rayford said Mr. Czech does not sit on this Committee, and we should not answer his letter.

Mr. Thomas stated no one but Local 241 dictates who represents Local 241. Mr. Thomas feels he is not acting like a participant but acting as a Vice President of Human Resources. Mr. Thomas stated they appoint people on the Board and they still most likely be sitting here. Mr. Thomas questioned his motive and Mr. Czech can seek interpretation but Mr. Thomas would like everyone to know that 241 is going to have the same representation, and they are going to do the same thing they have in the past. He does not appreciate Mr. Czech or anyone else from

CTA getting in his business trying to dictate what the union should do.

Mr. Williams again brought up the fact that Mr. Czech should come before the Committee so they can answer his questions. The fact is he seems to hold up the retirement of some individuals and this is not a game. People have worked 25, 30, 35 years, and they do not need anyone playing with anyone's livelihood. He felt there is a need to get to the bottom of this problem so there is no problem in the future.

Mr. Thomas brought up the question of the suit between CTA and all unions involved. The suit is about how pension calculations are determined for part time officers. Mr. Thomas said there are Board Members from 241 who have put their pension papers in to retire on May 1, 1997, etc. Their request was denied for whatever reason. Mr. Thomas wanted to make a motion that the part time officers whether they are 241 or whatever union be allowed to take their pension and let that pension be calculated up to 1995 and 1996 and when an arbitration decision is handed in, then adjustments can be made. He felt putting a hardship on individuals who have worked 25, 30, etc. years was a big slap in the face to these individuals. Mr. Thomas said he is not asking that litigation stop but that these members be allowed to retire. Mr. Hill said he did not feel this would be a proper motion and is out of order because it concerns an issue that is in pending litigation and makes the Committee presume certain answers to the Award. Mr. Hill said we could not entertain such a motion at this time, and he asked the Plan Attorney's input on this matter. Mr. Williams did not feel it was out of order because these retirements should have been allowed to take place and if there is litigation that should have been done as the retirements were taking place. He thought the motion was in order because it should not have happened in the first place. Mr. Hill felt because it is about board members it is right to hold it up because it is arbitrating the whole issue of the calculation of earnings and under what earning number should they be allowed to retire, and also he felt that he does not know how they could be allowed to retire without being able to calculate the correct earnings.

Mr. Burke said the motion is out of order absent the vote by the body reversing the decision of the Chair it would be ruled out of order.

Mr. Collins asked Mr. Perk if there were numbers on each union officer in the Pension Office. If he was to retire tomorrow were there numbers there that would allow him to retire. Mr. Perk said the numbers that are in the data base as it relates to the full time union officers are correct. For the part time Executive Board Members, no adjustment has been made for calendar years 1995 and 1996 so that as of the moment, instructions that were given to Mr. Ross probably more than a year ago after a discussion with the now Chairman and until this issue is resolved, the compensation levels will not be adjusted in our data base. Until the Pension Office receives instructions from the Chairman or the Committee, the compensation

tape that we receive from the CTA at the end of the year that we put into the computer and update those numbers has not been done for both 1995 and 1996.

Mr. Thomas said he respects the Counsel's decision and he wanted this discussion to be recorded in the Minutes.

Mr. Morris said one of these Board Members in question is a Board Member in name only because during the years the Chairman spoke about Mr. Yancy - 103rd St. was not a union officer. Consequently, it does not affect him one way or the other and yet he has been denied a retirement date. Mr. Hill said the Committee should look at this case.

Mr. Collins had a question regarding Tyrone Brown, a former Board Member and Officer of 308. This report suggests that he is retiring May 1. Mr. Collins was confused as to why Mr. Brown is retiring and no other union official has been allowed to retire. Mr. Williams said that Mr. Brown's pension had been held up, and he went over and complained and they finally released Mr. Brown.

Mr. Williams said he has a problem because the Committee representatives sit as a Board and we know what it takes for an individual to retire and if we are going to go beyond that because some individuals have personal reasons for holding up an individual's retirement, he felt the Board was not doing what they should be doing. If it was the reverse and Labor took that position to hold this person's retirement up until we go back and get 15 years check stubs for this individual, the Committee would not hold it up. Mr. Williams said Mr. Czech is not in a position to do this, and he does it. This individual is going beyond what our Retirement Plan calls for when an individual can retire. Mr. Williams said he had a problem with that. No one is above anyone else. This person is not even on the Board so he is not in a position to do what he is doing. Mr. Morris said that if anyone on either side of the Board is holding up the function of this Board, it is the obligation of this Board to take whatever action necessary including going to Court to stop this action from being taken.

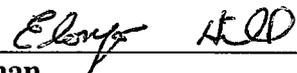
Mr. Collins discussed that on April 2, 1997 they came before an Arbitrator and the testimony offered by the CTA Attorney was that there was no focus on union officers whatsoever when it came down to what was being investigated whatever they are trying to conclude. Again, he was surprised at the turn of events of his employer. As a 30 year employee who can retire, there is nothing on the record that says he should not be able to retire. This witch hunt is not directed to us. It goes back to the question of whether or not the intent during negotiations is actually carried out. He understood if a person is needed as far as manpower is concerned, then the Authority would hold them. Otherwise they would let them go. That is consistent with how the incentive was the last time. Otherwise, they would let the individual retire. They believed that is how the incentive would work this time, and we have been very, very surprised it has not gone that way. Again this is the

credibility of the company and the individuals who are looking at this thing and drawing the conclusions that they are.

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

Mr. Hill told the Committee that Daniel R. Perk is leaving June 1, 1997 after 8 years at the Pension Office and 40 years at CTA. The Committee appreciated all of his work during these years. At the May Meeting, May 27, there will be a luncheon in his honor.

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 March, the performance for the total fund was -2.37% and the value of the total assets of the Plan as of 3/31/97, amounted to \$1,497,984,649.
10. There being no further business, the Committee unanimously agreed to adjourn at 11:40 A.M.



Chairman,
Retirement Allowance Committee



Executive Director,
Retirement Allowance Committee

Dated: May 27, 1997