AGENDA

FOR THE 581st RETIREMENT MEETING OF JUNE 24, 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 580th Meeting held May 27, 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) James R. Green - #23624- request for retro-activity to 06-01-97.
     - (ii) Barbara F. Dandridge - #13872 - (disability) - request for retro-activity to 06-01-97.
     - (iii) Hector D. Gomez - #2667 -- (disability) - request for retro-activity to 06-01-97.
     - (iv) George L. Vanderford - #6981- (disability) - request for retro-activity to 02-01-97.
   - d) Presentation of Death Benefits for approval.
   - e) Presentation of Refunds of Contributions for approval.
   - f) Presentation of Bills and Remittances for approval.
   - h) Richard Washington - #D3212- returned to duty - June 2, 1997.
   - i) Charles Lyons - #D3233 - returned to duty - June 2, 1997.
   - j) George E. Ehardt - D2870 - returned to duty - June 9, 1997.
   - k) Gus Stevens - D3230 - returned to duty - May 27, 1997.
   - l) Harrison E. Crump - D3161- returned to duty - May 30, 1997.
7. Old Business
8. New Business
9. Financial Report
10. Executive Session
11. Adjournment

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, JUNE 24, 1997, 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 NORTHERN TRUST COMPANY, **50 S. LA SALLE STREET**, IN THE DIRECTORS' DINING ROOM ON THE 6TH FLOOR.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 581st Meeting of the Retirement Allowance Committee was held on Tuesday, June 24,1997, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

Mr. E. Hill, Chairman	Mr. I. Thomas, Vice Chairman
Mr. W. Buetow	Mr. L. Brown
Mr. D. Anosike	Mr. T. Collins
Ms. S. Leonis	Mr. J. Williams, Sr.
	Ms. W. Black

Alternates also present were M. Green, L. Sanford, L. Morris, R. Baughn and J. Forte, L. Smith 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 and B. C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 11:15 A.M.

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

   Mr. Hill informed the Committee that Mr. Thomas Stevens submitted his resignation from the Retirement Allowance Committee last month to CTA Chairman Valerie Jarrett. It was accepted on June 4, 1997. At the CTA June Board Meeting, the Board appointed Ms. Maria Green as Mr. Stevens' replacement on the Retirement Allowance Committee. Chairman Hill appointed Ms. Green to the Real Estate Subcommittee in place of Mr. Stevens and also named her as Chairman of that Subcommittee.

3. On a motion by Mr. Thomas, seconded by Mr. Brown, the Committee approved the Minutes of the 580th 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 reiterated what the Chairman and Vice Chairman of the Committee had said that there is a need for the Actuary to appear before the Committee next month because of the number of employees taking advantage of the Incentive Retirement Program.

Mr. Joachimi stated that a decision is needed on three items (1) The Investment Policy; (2) Liquidation Policy and (3) Soft Dollars.

The Plan Attorney spoke about the meeting that was held by a committee consisting of S. Leonis, J. Williams and himself (R. Burke) with Wayne Ross and Ned Joachimi to review and report back to the full Committee on the policy of selection of brokers and the role of soft dollars in that process. Mr. Burke said this is part one of a two part report. The second report will come once there is more data which Mr. Joachimi is gathering together to share with the Committee.

The Plan Attorney reported what Mr. Joachimi informed the subcommittee and that the key concern of the Committee is in regard to selection of brokers and good execution. Reports have been prepared identifying those firms which in the industry are viewed as doing the best execution at the best price.
Mr. Joachimi suggested to the Committee over the years that the firms on this list should be selected so they will be working with the people who are doing the best execution in the industry. The normal cost per share of a trade is 5 to 6 cents per share. With electronic trading, the cost is about 2 cents per share. The approved list of entities that has been prepared over a period of time according to Mr. Burke are good and acceptable traders consisting of entities with whom we have had good experience. The entities with whom we have had good experience are: Wilshire Associates, Bear, Stearns & Company; Broadcort Capital; McDonald & Company. Ms. Leonis asked at the meeting for the names of the other traders who are on list of the top 10 firms that have been doing a good job. Their desire is to say to the investment manager you can use any broker as long as they are giving best execution and the best price. The main thrust of the program is best execution with approved brokers who can deliver that product for the Committee.

Mr. Joachimi's compensation is based upon a yearly fee of $155,000 for services Mr. Joachimi and his office perform for the Committee throughout the year. Because of an approved procedure by the SEC, it is possible for certain brokers to remit to Mr. Joachimi's firm a portion of the commission trades which otherwise they would use for research. The soft dollar equivalent is about $271,250 which is equal to $155,000 in cash. The money managers are asked as a benchmark to try and run about 35% of their trades through this soft dollar program.

There was an explanation by Mr. Joachimi of the soft dollar program. Because Wellesley Group does get audited by the SEC and the NASD, they research these things very carefully. Some companies have only one broker and the SEC does not like that because that says all the trades are going through one place. Wellesley has

5 brokers as this is a program for their clients and they wanted to make sure the managers were not trading with one broker. Mr. Joachimi wanted them to trade with people that they normally would so the Plan can get the cash advantage. The cash advantage to the Plan over the years has been well in the millions that the Plan did not have to write a check.

Mr. Joachimi was asked in the special committee's meeting whether he would have Lynch, Jones and Ryan on his program. He said no because they do not fit in that top list of traders. Another question Mr. Joachimi was asked was what about other brokers. He said he probably cannot have a minority broker on Wellesley's list because they deal with someone like Merrill, Lynch and there is an additional layer of cost. He stated how the Plan Managers use a few Chicago brokers and minority brokers and the Plan gets no cash back for any of the bills. Mr. Collins asked whether the Chicago brokers and minority brokers could go through Wilshire and we could get soft dollars. Mr. Joachimi said they have to go through for instance Paine Webber who would in turn go through Wilshire so it is another layer of cost.

Mr. Burke read from a report given to him by Mr. Ross. For the first quarter of 1997, the total commission paid was $532,000. The amount of directed commission that went to the Wellesley Resources soft dollar program was $120,000. Mr. Hill said what he does not understand is why the program cannot have some written criteria in that Mr. Joachimi does not want to use brokers who have to go through a third party which adds a layer of cost. Mr. Hill would like that to be one of the criteria for being in the program.

Mr. Thomas wants Mr. Joachimi's to give the Committee his list and the Committee will forget the other list and use Mr. Joachimi's list and then we will look at the list and get advice from the Plan Attorney, Mr. Joachimi and whomever. If there is anyone on that list that Mr. Joachimi does not recommend, Mr. Thomas does not feel the Plan should deal with them.

Mr. Joachimi explained what he does when someone comes to the Committee and want to do some trading. Mr. Joachimi speaks to them and then he informs the Pension Office we are not going to have them on our list. If you want to pursue this, give this trader the names of all of your managers as long as they do not say that they have been recommended by Wellesley or by the Committee.

Mr. Joachimi explained how Lynch, Jones and Ryan got on the Pension Office list. Back in the beginning of this program, a few managers did very small trades and the Plan would get credit for the whole trade yet the cost were such that Wellesley lost money. Mr. Joachimi at that time said we cannot continue the program unless the trades are 1,000 shares or more. Lynch, Jones and Ryan was brought in by the Retirement Allowance Committee back in 1986 and Lynch et al. did the small trades but it is not part of Mr. Joachimi's program.

Mr. Joachimi said they are trying to do what is best for his clients. In fact, he went to all his clients and asked which traders they wanted on the list. Mr. Joachimi said if the managers continue doing business as they do now, 12% of all the business in the first quarter went to Chicago and minority brokers but the money managers made that decision. If they make the decision to use our program, fine. The key is that the Committee is not making that decision.

Mr. Hill's goal is to make sure the Committee fully understand our soft dollar arrangement and why the select few are participating in your program.
Mr. Joachimi was asked what percentage of the Plan's managers use his program. The majority of the trades that are executed are outside the program. The Plan has a couple managers who do not use soft dollars at all and that is fine according to Mr. Joachimi.

Mr. Hill said to Mr. Joachimi that when he speaks so highly of the program and how it is generated dollars for us including paying our consultant fees and giving the Plan extra money, then the first thought on behalf of the Fund is there a way to improve the 22% first quarter 1997 commissions.

Mr. Hill wanted a list of managers who have frequently used traders with no returns. He wants to know the execution cost in the program versus average execution cost of the other 78% of trades.

Mr. Thomas would like Mr. Joachimi to have the names of everyone we trade with and the cost of a trade.

Mr. Joachimi discussed NCM Capital Management who are a growth equity manager which has $89 million (including fixed income). There has been a big upheaval in the company and the Committee's contact is no longer with them. They have lost some of their portfolio managers. Mr. Joachimi would like NCM to come before the Committee. They have not beaten the average for the 7 years they have been a manger. Mr. Thomas suggested they come to the next meeting.

Chicago Corp is another money manager who has not met the requirements but he does not think existing managers' money should be put with the remaining managers.

Mr. Joachimi wants to look at fixed income as all but one or two underperformed the benchmark. NCM is there too. Mr. Joachimi spoke about the 7 year numbers. The closest the Plan came to equaling the average was NCM Capital, and they underperformed the Index by not quite a full percentage point. The other managers are worse and they all underperformed the average and that is why Mr. Joachimi said when the next step is taken the number of managers should be reduced and have the Plan involved with someone who for the same period of time did very well.

The next item to work on is the fixed income group but work needs to be complete on the equity side before the fixed income is looked at according to Mr. Joachimi.

Mr. Hill recalled, when working on the equity, the Committee was trying to decide between Stein Roe and Driehaus for the small cap for the aggressive growth and Montag and Caldwell and MacKay Shields for the growth. That would mean getting rid of some of the other growth managers which should be done according to Mr. Joachimi.

Mr. Joachimi then discussed the Statement of Investment Policy. The changes were underlined. The basic thing Mr. Joachimi wanted to see happen was investment grade on page 6. It stated "1. All fixed income securities will be investment grade as defined by Standard and Poors, Moody, Fitch and Duff and Phelps." Investment grade is BAA or BBB or better and gives leeway to the managers and the Committee should be able to see returns increase. Mr. Joachimi recommended approval of this document. The Plan Attorney will send out a copy with all the changes to each member of the Committee so that it can be voted on next month.

The next item discussed was Special Accounts Manager. In the past, Wellesley has run the program and has shown the portfolio to new managers to see if there is any trading savings by taking securities in kind. Wellesley then reviewed all of the trading quotes and in this case they had Northern Trust and Lynch, Jones and Ryan give a quote. The Plan Attorney stated that at present the Trust Agreement currently provides that function would be provided by Northern Trust. The Committee may want to give some consideration that rather than having Northern do that, it would be appropriate to have a special entity for those instances when the Committee is terminating a manager and transition the portfolio to another manager as in the GAMCO situation. In that capacity, Mr. Joachimi and the Wellesley Group could serve in that capacity. They have shown the portfolio to Piper Capital. Northern has raised a point most appropriately according to the Plan Attorney if Mr. Joachimi's firm is going to do that, then Mr. Joachimi's firm should be appointed as an investment manager for that function of the termination or if not, Northern would be involved with the termination process. The question Mr. Burke posed to the Committee is this something they want Mr. Joachimi to do or is this something they want to leave with Northern or is this something they want someone else to do. It is just this one function. Ms. Newton said it does not have to be the same person doing this each time but she stated that whoever is going to take care of the trade at the time has to be an investment manager. Mr. Hill would like Wellesley to take care of this so the Plan Attorney said a recommendation should be made to Northern that they retain Wellesley as an investment manager. In that position, Wellesley is able to fill in that void as the Plan goes through transition from manager to manager. Mr. Hill was told by the Plan Attorney it was not an exclusive appointment.

On a motion by Mr. Hill, seconded by Ms. Leonis, the Committee unanimously approved Wellesley Group as an investor manager for the Fund.

Mr. Joachimi then discussed Oppenheimer who has merged with PIMCO which is Pacific Investment Management Company. Oppenheimer is one of our larger equity managers. They handle the growth and income active portfolio and it has done quite well. The question is will it be the same firm. The way it is set up and the way Mr. Joachimi has read it they are going to be the same firm but have a different affiliation. Mr. Joachimi recommended signing the appropriate documents. On June 10, 1997, Mr. Burke sent to Ms. Newton at Northern the documentation because the trustee retained Oppenheimer so therefore Northern would be the ones to sign off on this. Ms. Newton said the Legal Department of Northern considers it a new firm and it should go through the review process.

On a motion by Mr. Hill, seconded by Mr. Williams, the Committee unanimously recommended nominating the new entity Pimco which Oppenheimer has merged with.

Weiss Peck and Greer Venture Associates have distributed some shares to the Plan. Mr. Joachimi's recommendation that the Plan sell this stock. Mr. Joachimi recommended liquidation because we have no idea what the stock will do. When it is sold we have to adhere to Rule 144. On a motion by Mr. Williams, seconded by Ms. Leonis, the Committee unanimously recommended that Weiss, Peck and Greer liquidate that stock as soon as possible.

The Plan Attorney brought up a few points. The Piper Capital transaction has been completed. Capital Associates is in the process of being completed with letters being sent out. Documentation is out to the Mentor Group. RXR is in the approval process with Northern and there was a question posed regarding the RXR investment. Mr. Joachimi said RXR are asking for approval to use medium trade notes which are rated AAA by Standard and Poor, and Mr. Joachimi said there is no problem with that and he spoke to them and they have done this in the past with other programs.

On a motion by Mr. Williams, seconded by Mr. Thomas, the Committee unanimously approved recommending to Northern the change in the investment mix to use medium trade notes.

Mr. Burke told how Mr. Perk was a party signatory on the Northern account. His name has now been removed. There are three people left on the account:
Mr. Ross, Mr. Hill and Mr. Thomas. There should be a 4th person on the account regarding the direction of funds. Mr. Forte's name will be put on the account.

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

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

McDonald Corporation have been notified that 711 Jorie Blvd. has been put up for sale at a price of $24,700,000.

Mr. Kevin Lynch of the Townsend Group reported on RREEF Capital Venture Fund. Mr. Lynch and the Plan Attorney have been reviewing the documentation for RREEF Venture Capital. They have recommended a $10 million investment. RREEF has demonstrated that they are more than competent relative to handling the Fund's assets. Townsend has negotiated on behalf of their clients, CTA being one, a savings from the stated fees within the document. Its a relatively shorter term investment, maximum term is 7 years, more than likely it will be 3 to 5 years. Projected returns are 14 to 17% which are conservative. RREEF believes they will be higher. Townsend has reviewed the transaction from a business and investment standpoint and Mr. Burke's office has reviewed it from a legal standpoint. It needs the Committee's approval.

On a motion by Mr. Brown, seconded by Ms. Leonis, the Committee unanimously approved the $10 million investment to RREEF Venture Capital and with the stipulation that the Committee can pick an advisory person.

635 Remington has contract offers at $2.2 million. The Plan's carried value on that asset is $1.8 million.

The three year contract for Townsend expires at the end of June. Mr. Thomas wants to put it off until certain concerns of his are settled.

Lake County Industrials were sold the end of May. The proceeds from that sale was approximately $6.5 million.

According to Mr. Lynch, although the Plan's current allocation is 15%, the dollars exposed to real estate will be frozen at $150 million dollars - approximately 10% until such time as new asset allocation study is completed. The main strategy is there are really 3 components: the Plan's core assets from 711 Jorie Blvd, the value type of approach where you can get a little higher type of return such as the RREEF Venture Cap and the 3rd real estate investment trust - REITS. Since there is no new money available to invest, keep that frozen at $150 million and as properties or assets are sold, the money would go into the REITS, the real big investment trust pool and it would get funneled that way until such time as the asset allocation study is complete. Townsend and the Plan would then know how much money is available for additional investments.

The strategic plan structure stays the same. The only difference is that there is an amendment that says that it stays at 15% until notification to the contrary and it will be frozen at 10% or $150 million.

Strategic plan needs to be formalized and approved.

Portfolio position in terms of returns for the quarter ending March 31, 1997, the portfolio continues to show improvement. It was a little below the NCREIF Index for the quarter due mainly to the older investments in the RREEF separate account.

191 N. Wacker is not generating any income at this point. Elk Grove Village does not generate any income at this point. The only assets that are earning income are the Remington, Jeffery Manor and the 711 Jorie Blvd.

Mr. Hill asked if the Strategic Plan was something that needs to be approved at this meeting or can it wait until next month. Mr. Lynch answered it could be deferred but he would like the Committee to adopt a strategy. Mr. Hill wanted to wait until Ms. Green looked it over since she would be Chairman of the Real Estate Subcommittee as of the July meeting.

On a motion by Mr. Thomas, 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. Collins requested approval of items 6a through 6l.

Mr. Forte reported that Mr. James Green is retroactive to June 1 because he did not put his application in on time.

Five individuals returned to work from disability and all of these individuals are trying to retire under the incentive program

Mr. Forte discussed a letter from Mr. Warren Green who discussed how he signed up for a B-1/2 option. After discussing this with his wife they decided it would not be beneficial for them. He cannot afford $200.00 or more taken from his monthly checks. Therefore, they have chosen another way and would like to cancel. The Committee agreed since he had not received his first check yet.

Mr. Williams had a concern about an individual on disability, who received clearance to return to work and now wants to retire under this incentive program.

The individual was told there was no position for him. The person was a ticket agent. There was a long discussion about situations like this. Mr. Hill could not understand why they did not let him return to work. He felt they are no longer entitled to disability pension, and the Committee needs to look at the disability process in that they have to work for one day in order to retire. Mr. Hill said he felt that person is of no benefit to the Authority when they return to work for one day and the next day CTA would have to find a permanent replacement for the job.

Mr. Thomas suggested that the Plan Attorney should research and see if we can legally do it without actually changing the rules of the Retirement Plan or the Collective Bargaining Agreement. A person who has 25 years or more that qualifies for the early retirement incentive program who is on disability and is found fit to return to work and has elected to retire, either regular or in this case through incentive, but cannot do that until they return to work for a least one day. If they happen to be in a classification where the Authority has no vacancies, then they technically cannot retire until they get a job for this one day. The Committee would like to research this to see if this is something they are bound by the Collective Bargaining Agreement, and we do not want to adversely impact the Collective Bargaining Agreement or to compromise the incentive program as it is written. Is there something that can be done now or is it something we have to live with.
Mr. Hill said these people have to be trained again and since they plan on retiring that is a waste of CTA money.

Mr. Burke felt it was a collective bargaining issue but will research and get back to the Committee as soon as possible before the deadline of June 30th. Mr. Hill said in order to protect these individuals we should contact them and tell them to put in an application before the June 30th deadline. Mr. Morris said unless they have received their package, they cannot retire under the incentive. Mr. Thomas said a letter should be put in their files stating they want to take advantage of this incentive program.

Out of 2100 eligible to retire as of June 30, 1997, 1312 have signed up for the incentive program according to Mr. Hill.

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

7. Old Business - Mr. Brown asked about the Actuary Report. Mr. Hill said earlier it was discussed in the Investment Subcommittee about the early retirement program

and appears to result in double the number of retirees than was anticipated. Because the actuarial assumption was based on a 35% acceptance (it is going to be more like 70% acceptance), the Committee would like the Wyatt group to do an updated actuarial study and to advise us as to the impact on the Plan. Mr. Buetow will take care of this matter and it will be for both phases.

8. New Business - None

9. **Financial Report - Lewis Smith then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that for the month of May, the performance for the total fund was 4.98% and the value of the total assets of the Plan as of May 31, 1997, amounted to $1,604,337,803.**

10. **There being no further business, Committee unanimously agreed to adjourn at 11:22 A.M.**

James Forte

James Forte

7-22-97

Dated: ~~7-16-97~~

Elmer Hill

Chairman,
Retirement Allowance Committee

f:\min581