AGENDA

For the 602nd Retirement Allowance Committee Meeting of March 23, 1999

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.

2. Roll call.

3. Approval of the Minutes of the 601st Meeting held February 25, 1999.

4. Investment Subcommittee report.

   a) Financial 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) Paulette Y. Hardeman - #13599 - (disability) - request for retro-activity to 03-01-99.

      (ii) Elizabeth E. Reames - #9825 - (disability) - request for retro-activity to 03-01-98.

   d) Presentation of Death Benefits for approval.

   e) Presentation of Refunds of Contributions for approval.

   f) Presentation of Bills and Remittances for approval.

   g) Jose Salis - #D3627 - returned to duty - 03/09/99.

   h) James Hynes - #17114 - Vested under Section 11 of the Plan - request revocation.

7. Old Business

8. New Business

9. Executive Session

10. Adjournment

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

(312) 441-9694

RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, MARCH 23, 1999, 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.

notice.mtg: March 8, 1999

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 602nd Meeting of the Retirement Allowance Committee was held on Tuesday, March 23, 1999, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

Mr. I. Thomas, Chairman	Mr. D. Anosike, Vice Chairman
Mr. T. Collins	Mr. J. Kallianis
Mr. J. Williams	Mr. R. Winston
Ms. W. Black	Ms. S. Leonis

Mr. Lang sat in Mr. Acosta's stead. Mr. Guerrero sat in Mr. Brown's stead. Alternates also present were L. Morris, P. Beavers and B. Rayford. 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, MacKay & Serritella was present. Messrs. M. Barnes, C. Wesley and B. C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 10:45 A.M.

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

3. On a motion by Mr. Collins, seconded by Ms. Leonis, the Committee unanimously approved the Minutes of the 601st Meeting.

4. Mr. Jerry Williams, Chairman of the Investment Subcommittee, reported on the meeting held this date.

   Mr. Joachimi wanted to make some movement in the fixed income side of the Plan. There was a recap of the managers and also a discussion on MDL Capital Management. Mr. Joachimi made a recommendation to retain one of the larger fixed income managers and also increase the amount of money that was given to MDL Capital. MDL Capital originally received $25 million, and Mr. Joachimi recommended the Committee give them another $15 million because he said their numbers have been very good but it is the volatility which is slowing him down and consequently advising the Committee to give them only $15 million more.

Ms. Leonis wanted to know how MDL Capital did in comparison to the other managers. Mr. Joachimi said they were outstanding and did better than the other managers. He said their 5 year numbers are close to 9.16% and that put them at the top of the managers in the data base. The numbers for First American for 5 years is 7.7%. They are a proposed new manager Mr. Jochimi is recommending. Ms. Leonis wanted to know how MDL Capital rated in terms of the old managers. Mr. Joachimi said their numbers are better than the old managers for the 5 years. He did not feel they should be one of the cornerstone managers yet because of the volatility. Mr. Kallianis said if they are so volatile why are you recommending more money to them. Mr. Joachimi said because the numbers are so good. He felt very strongly that they could take a bigger position.

Mr. Collins said there appears to be two quarters in the five years where MDL underperformed. Otherwise it seems they bounced back after a bad quarter. Mr. Joachimi said that is correct.

Mr. Joachimi discussed the manager he is recommending - First American. He said their numbers for their core management are among the top managers for the 5 years. He felt that hiring First American for fixed income would make sense.

Mr. Joachimi spoke about asset allocation. He stated that the Plan has about 82% of the money in equities. He included real estate and international. He said 10% of the total fund should be moved to fixed income that is $180 million.

Mr. Joachimi stated that a few members of the Committee wanted to look at ABN-AMRO locally. He said they will have ample reason to do that in the next step.

His recommendation based on their studies they do feel that First American and MDL should get some of the assets. Ms. Leonis recommended ABN-AMRO.

Mr. Collins said to Mr. Joachimi when you recommend you attached some dollar amount to MDL and you did not state any dollar amount to the other two managers. Mr. Joachimi said the other amount that was taken from the other managers totaled around $105 million. He would recommend $65 million go to First American.

Mr. Collins wanted to know if there was an amount earmarked for ABN-AMRO. Mr. Joachimi said he has no problem with the Committee hiring two managers now. The only problem he had was the amount of money. Mr. Joachimi said $25 million is a very low amount for a fixed income manager. If we do all three it would cut the money down very substantially.

Mr. Collins asked Mr. Joachimi what would be the allotment to ABN-AMRO and basically how would we give it to them.

Ms. Leonis recommended $45 million to First American and ABN-AMRO and $15 million to MDL.

Mr. Joachimi said if ABN-AMRO is the pick that would avoid going through another search at a later date. The only thing about a search at a later date is the Committee may come up with some other names that you would like to look at.

Mr. Kallianis said we could choose First American and ABN-AMRO today and at a later date if we can take money from equity, we can choose some other managers.

Mr. Thomas said we can do all three with the understanding that when we deal with our asset allocation and generate some more money, then we will have more money we can give managers. Mr. Joachimi said that is correct.

Ms. Rayford asked if the Committee choose three managers will it cost us more money with regard to fees than if we choose two managers. Mr. Joachimi assured the Committee that the best fee will be received because these managers will know more money is coming.

On a motion by S. Leonis, seconded by T. Collins, the Committee unanimously approved giving $45 million each to First American and ABN-AMRO and $15 million to MDL Capital.

The Plan Attorney said the usual procedure is a recommendation to Northern Trust to retain these managers because we do not have investment manager relationships at the present time with First American or ABN-AMRO in this category so the thrust of the motion should be a recommendation that $45 million to both First American and ABN-AMRO subject to their due diligence and with an additional $15 million to MDL because they have already been approved.

Mr. Collins asked whether we would be investing with ABN aggregate because there are two groups and ABN aggregate's performance is better than ABN fixed. Mr. Joachimi said they would do the best performance, the aggregate.

Ms. Rayford asked for an answer to her questions raised in a letter to Mr. Joachimi in November. She would like it in writing. He will do this.

Mr. Williams asked about the asset allocation. Mr. Joachimi said it depends on what the next quarter is going to show but if you took 10% down to a 70% exposure to equities that is $180 million. That will be $180 million that will be moving into fixed income.

Ms. Leonis asked what are the next items we will be working on. Mr. Joachimi said on the growth and income or the core position in equity and the income oriented equity. Mr. Joachimi said there will be several managers from this area.

Ms. Rayford asked about allocation for emerging managers. Mr. Joachimi said actually the only manager who qualifies in the Venture Capital category is Ark. If they have a 5 year record and we can document that record they do not qualify for the emerging manager side. They are in the main stream. He explained how Ariel Capital at one time was an emerging manager in our group. Kenwood was also an emerging manager. Mr. Joachimi said if a manager has a 5 year record, and that record can be documented, they do not qualify for the emerging manager side.

Mr. Anosike asked Mr. Joachimi to identify some emerging managers.

Mr. Joachimi said there have not been many new managers. There have been many minority managers but most of them are not going to qualify because they have 5 years and have money.

Mr. Burke was asked to bring the policy regarding emerging managers to the next meeting so the Committee can decide if they want to make any changes. Mr. Collins said his understanding of this category is to identify managers who have less than 5 years and who have a certain amount of money they are managing. It was designed to identify minorities in the process. If we change this definition, it may change some of the things that were attempted from the outset mainly to identify those people who are trying to start businesses and who are otherwise not allowed to by virtue of the track record parameters that are asked for by the bank. He would like to see it remain as it is because he felt it was a well thought out process to allow those that he just mentioned to accumulate monies and a track record.

Mr. Anosike said the issue seems to come up every month, and he would be willing to work on a committee or subcommittee to look at all these issues, minority issues, disadvantaged issues and emerging managers to come up with a better policy than the one that is used.

Ms. Rayford would also like to bring up alternative investment policy next month.

Mr. Joachimi discussed how the Plan has certain investments in alternative products. The biggest position is held by Weiss, Peck & Greer. They are coming out with another offer. He felt the Committee should have more in the alternative product arena. He was concerned it was all Weiss, Peck & Greer. His first recommendation is that we should pass on this and look at some others. We are looking at some other group that is a minority. Mr. Joachimi said he has changed his mind on the Weiss, Peck and Greer because they will be liquidating one of the Plan's positions which has done extremely well so there will be some money available. Mr. Joachimi recommended that the Committee take a hard look at the Weiss, Peck and Greer offering and if it is available, we do it. The biggest problem he said is the closing dates. The Plan Attorney thought it closed in late April so there could be time at the next meeting to make a decision.

a) Financial Report - Mr. Ross then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that the past month's performance for the total fund was -2.32%, and the value of the total assets of the Plan as of February 28, 1999 amounted to $1,747,947,266.

Currently, the cash balance is approximately $17.8 million which will get the Plan through the month of March. Mr. Ross said he will work with Mr. Joachimi to determine where we should take funds for April's benefits because we will need some cash for April.

Mr. Collins said from the report he sees, the S&P for the year to date is a +94 basis points, and the performance for our managers is a -2.73%. The Committee has been told in down markets that active managers have a chance of outperforming the S&P under those circumstances. He said each and every time that he looked at something that has been negative performance, it still appears that the S&P is outperforming our active managers. Again, he felt that this suggests that we should index a portion of our fund because of what it would generate because of output and the limited amount of fees that are charged in an index fund. Mr. Morris said 70% of the managers do not make the index. He felt the Committee should take it very seriously. Mr. Anosike spoke about performance based fee if managers over-perform they can get a bonus and if they under-perform they get a penalty.

Mr. Ross said to answer Mr. Collins' statement the market has been treating the large cap stocks, a small group of them, that really have made us look terrible in terms of our equity performance. He felt the index idea would be good.

Mr. Morris asked about the contributions from CTA. Mr. Ross answered they usually receive the money after the bank's cutoff. Mr. Guerrero asked if the CTA contribution for part time officers have been received yet. That has not been received. The Plan Attorney hopes that once this part time issue is resolved by Ernst & Young that should solve the issue.

There was a question from Mr. Williams regarding domestic fixed income. He had a question about RXR Capital. Mr. Thomas said they are in strong opposition to RXR. He said they voted but put in on hold. Mr. Anosike said it was not put on hold. Mr. Burke's recollection was that it was approved but there were serious issues raised about it but there never was a motion raised to rescind the prior action on the approval. The Plan Attorney will check into this. Mr. Collins said there was an issue about derivatives.

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

5. Mr. Anosike reported on the meeting of the Real Estate Subcommittee held this date.

The Plan Attorney said there is an issue in regard to Lake Wacker, an issue regarding real estate managers and a report on a new buyer for the Elk Grove property.

Mr. Brian Rieger of RREEF discussed the contract with Hines regarding the 191 N. Wacker for $12.1 million. Hines have come back recently and asked for an extension of an additional year to close that transaction. They are supporting it for a couple of reasons. They initially are going to give the Plan $500,000. They already have put up $1,750,000.00. If something happens, the Plan gets this money. They will put an additional $500,000 which will be paid in two installments. $250,000 will be paid on April 15 and another $250,000 six months thereafter. The sale price will continue to escalate at a rate of 6%, which was the agreed rate. If it runs out the first 12 months, we will be up to a $13.3 million sale price. The original sale price was $12.1. They have been diligent in pursuing this site. They have met with the city. They have been doing some preliminary marketing. What happened according to them was the capital markets changed, and they have not been able to get a equity piece of the equation. This is consistent with all the announced developments in downtown Chicago. No one has been able to get started. They are optimistic this will turn around and also have a tenant, which will also get them started as well but they are not alone in trying to get things put together.

There is some concern RREEF has about the city's recent attitude about new projects. There has been an effort to down zoning. RREEF has currently grandfathered in a F.A.R. ratio of 29 to 1 which means you can build 29 feet for every one foot of land area. Under the current zoning, if you were to go in today it would be 24 to 1 which is a reduction in the amount of density a building can put up at that site. Hines will get the benefit of the 29 to 1 but if someone else comes in, they may not have the right to have the same ability to recognize that same higher density.

Ms. Leonis' concern is that Hines do not have a tenant and they are marketing their other sites and if we give them this extension and they market all their other sites before this then they may tell us they still do not have a tenant. The Plan Attorney said they have agreed this would be their only multi-tenant office space. The Plan Attorney said all the other buildings they have in the Loop are tenanted buildings which range in occupancy in the mid 80's to upper 90's. One of the advantages of Hines is that because they have this massive, captive tenants, they provide a feeder for a new project. This is their sole site they will focus on. Ms. Leonis asked why they needed an extension. Mr. Rieger said because they cannot get their equity financing. The appraised value two years ago was $9.5. Ms. Leonis wanted to know if RREEF have asked around if this deal falls through. Mr. Rieger said they have not actively marketed the site because we are under contract but it is a visible enough site that the players have been identified in the market, and they would approach us. Another reason RREEF favors this is because there is no one else actively looking at this site. If there was someone, they would want a year's worth of time to exam it and get their entitlement from the City. Mr. Rieger is reluctant to lose the progress Hines has made with the city. The Plan will continue to get the benefit of the parking lot revenue during this extension.

Mr. Burke recommended going along with the extension. The current contract runs out April 15 and they are the only potential buyer. Thus far they have $1,750,000.00 in the project. The Plan is still getting some cash flow from the parking lot.

On a motion by Ms. Leonis, seconded by Mr. Collins, the Committee unanimously approved extending the contract for Hines on the property at 191 N. Wacker.

The second issue discussed by Mr. Rieger was the Elk Grove piece of land. They have been actively marketing that for some time. They have recently received an offer from Concord Homes. RREEF told them the sale price is $3.8 million.
Mr. Rieger said it will probably take 9 to 12 months before they can close and it is a lengthy zoning process. RREEF is recommending signing this contract.

On a motion by Mr. Thomas, seconded by Ms. Leonis, the Committee unanimously approved offering a contract to Concord Homes for the property in Elk Grove Village.

Mr. Rieger gave an update on Meridian. There are two pieces left which they hope to close by the second quarter.

Mr. Grant Berlin of Townsend spoke about the Third Quarter Report. The Plan had a gross return of 2.2% for the quarter. 1.8% was actual income returns and the remaining component was appreciation. We underperformed the quarter by a about 100 basis points. The total portfolio for the plan assets is about 1.8 billion. There currently is an allocation of private core which will comprise 60% of that, Public core (which are Reits) will comprise 20% and the private non-core (the value type investments and private equity) will also be 20%.

Mr. Berlin is going to redo the strategic plan, and there is a good chance that the public core will be eliminated or there will be a recommendation to the Committee to allocate that investment solely to private equity investments both core and non-core investments. He said what is making it under-perform right now is essentially most of the investments are older investments. The most recent investment was in 1996. The Plan has older investments that do not have the returns that newer investments would generate. Other portfolios have more value investments or opportunistic investments which are much more aggressive. They have a higher return but of course there is a higher risk. You do not have many of those investments. You have not reaped the benefits that other funds necessarily have.

The Plan has $180 million to allocate to real estate. Current market value is $107 million. There are remaining commitments outstanding to REEF Venture Capital of $7.7 million. There is RREEF USA III which is currently in liquidation, and the Plan has the RREEF Separate Account with individual managed account which also has assets which are being marketed that includes North Wacker and Elk Grove. Assuming they are sold and the disposition of these assets takes place within the next several months, there will be $100 million left to invest in order to get the Plan's 10% target.

Mr. Berlin spoke about a letter he wrote to the Committee. He discussed the value added search that they did. The subcommittee met and interviewed four managers as part of the value added search. The four managers interviewed were Kennedy Associates who is offering Niche Partners, TA Associates out of Boston, AMB Property Corp. from San Francisco and Capri Income Select. These are value added investments. They are a little higher on the risk spectrum. They use a little more debt than the core investments would do. The goal of that is to generate higher risk adjusted returns. In attendance at the meeting were M. Acosta, D. Anosike, Loid Brown, W. Ross and R. Burke.

Townsend recommended investing in TA Associates Realty Fund V from Boston. This will be a well diversified fund across geographical locations and will also be able to invest CTA's money relatively quickly. TA has had four previous funds that have done extremely well. They have demonstrated the ability to acquire assets and to sell assets. They do not hold on to them for very long and reap some very attractive returns for their investors.

Townsend also recommended investing in Capri Income Select. Capri's strategy is mezzanine debt - subordinated debt which is not consistent with the current strategy plan. The strategy plan is being updated so this is one of the changes that will be recommended to the Committee by Townsend allowing this type of investment vehicle rather than just buying assets directly. Capri is a minority owned firm based in Chicago. The principals of the firm have an extensive track record. They have done over $2 billion of debt investments. They do exclusively debt. Within Real Estate they will be value products.

At this time the Fund has about $25 and $50 million to invest in these type of products. The Strategic Plan calls for a minimum of no less than $10 million. They are recommending giving these two funds a allocation.

Ms. Leonis wants to hold it off voting on this until she speaks to Mr. Acosta.

Mr. Collins asked what amounts Mr. Berlin is suggesting, and where it would position the Fund. Mr. Berlin said as far as the value is concerned, the Plan has about $25 million to invest up to $40 million if we put public Reits allocation in value and some in core. There is between $25 and $43 million to invest in this type of product. Townsend would recommend allocating money to both TA and Capri of $10 to $15 million and then go back because there are several new funds that are now coming out and do a new search to identify some other possible investments in the value added category.

Mr. Collins asked if we give $12 million for each, how would that position us within the Fund. Mr. Berlin said the target allocation is 10%. If the Committee approves $25 million, you probably would be at about 7%.

Ms. Rayford asked Mr. Berlin to send something that gives a definition of what falls under private core and public core, etc.

On a motion by Ms. Rayford, seconded by Mr. Guerrero, the Committee unanimously approved the Real Estate Subcommittee Report.

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

Mr. Collins requested approval of items 6a through h.

Mr. Ross gave a report on refunds of contributions, death report, retirement application to be approved and bills for the Pension Office. Mr. Anosike asked about remittances. Mr. Ross said a good portion of that is payment of insurance for all the retirees and the family coverage and also the union contribution taken from all retirees who are still affiliated with the union. He said the CTA health care is over $2.5 million a month. The smaller amounts are the HMO's used by retirees.

Mr. Kallianis brought up the subject of the ten retired union board members. The Plan Attorney offered a suggestion regarding the issue that has been before the Committee regarding the part time union officers. At the last meeting the Chairman asked that Mr. Burke look through the material to see if he could give some direction to this matter that has been on the agenda for some time. The Plan Attorney went through the report of Ernst & Young in regard to the part time union officers and with regard to their review of the records. It appeared to Mr.Burke that the review of the records by Ernst & Young came up with three categories of findings:

1. The records that were available to Ernst & Young that would have come from the union officers would have been matched against CTA records. In those records, there appeared to be a conflict in the report time. For illustration, the individual would be on the CTA clock from 5:30 A.M. until 12:30 P.M. During that same period of time, the individual reported on his records that he had for example an 8:00 A.M. union matter during the same time frame. It appeared to the Plan Attorney from a fiduciary point of view that the Committee cannot give pension eligible credit for reporting being on "two clocks at the same time." There were a few of these instances.

2. This category is where on a given date when, for example, the employee was on the CTA clock from 5:30 A.M. until 12:30 P.M., the union member showed he did some work for the union but no time was specified when this happened.

3. In this category there are records from CTA and there is no indication at all from the records available to date that the individual had worked for union matters and had been compensated.

Mr. Burke said he found looking through the Ernst & Young report, the three categories of findings. The first one is the conflict between employee, the second one ambiguity and the third one is no conflict. He recommended to the Committee in an attempt to resolve this issue for these 3 individuals and for the other 7 individuals as follows:

The individuals not receive credit for the union time in the first category because of the conflict. The second category where there is ambiguity, the individuals receive the credit. He receives credit for the union time as well as the Authority time. The third category, which is the largest category, the individual receives union credit because there does not appear to be a conflict.

Mr. Burke has attempted to look through the analysis of the Ernst & Young report and would suggest how the Committee would resolve this consistent with their fiduciary duties is double credit for the first category, second you give credit for the second category and third you give credit for the third category. He felt it was consistent with the Arbitration Award.

Mr. Thomas asked if he worked for the union and for the Authority, he should not receive credit for both. Mr. Burke said that was correct. That was the only deduction a person would have like that.

Mr. Collins asked for a 5 minute recess.

When the meeting resumed, Mr. Thomas addressed some concerns he had. He asked Mr. Burke who seemed to be top leader in overlapping. Mr. Burke said he did not make specific calculations but in the report he saw it was the one that was distributed. In that report, it discussed Mr. Baughn, Mr. Monroe and Mr. Jones. There were no issues on Mr. Jones. There were a few instances on Mr. Baughn's and a few instances on the others. There were minimal instances in that first category. He has seen nothing more up-to-date than what the Committee had, and he had not spoken to Ernst & Young. What the Plan Attorney is suggesting is that the individual would receive full credit for the pension reported earnings by the union in categories 2 and 3. The only instance where they would not receive credit for pension reported earnings would be in category 1 where they are already receiving credit for CTA time during that given day. Thus far those items in category 1 are minimal.

Mr. Thomas said it is understood that whatever action the Committee takes today only pertains to the three people. Mr. Burke said if the approach makes sense for these three, the Committee could extend it to the other seven which he felt Ernst & Young had not even checked yet. All Mr. Burke did was suggest a procedure that could be followed across the board.

Ms. Leonis said the Committee wants to do all ten together.

Mr. Thomas said if we make a motion that if it is obvious that someone had duplicate work schedule, he is not to be compensated for the union time but the CTA time. Mr. Burke said he is not looking for some big search of additional records but they have everything, and he presumed the seven people have turned over what they have. Ernst & Young will look at those records, and CTA employment records and they will say this individual on a given date was on the clock for CTA for these hours and in between these hours is an entry for union time. We will take that out. We will figure the impact upon earnings for the calendar year for that portion of the time that is the only deduction they take. The individual so effected will still get credit for the Authority-reported time for pension eligible earnings.

Mr. Thomas would want the motion to reflect that if the Authority have proven duplication, then that would be the only time that would count for his pension would be only the time he worked for the Authority. He did not want anyone coming back saying this looks like a P.M. or an A.M. It has to be within the time frame.

Mr. Thomas made a motion that we pay these three individuals if there are not any duplications. If there are some proven duplications at the same time, then the individuals would be paid the company time. The Plan Attorney said for the purpose of clarification when Mr. Thomas said "proven duplications". The only records they have would be the records that have been given to them by the Authority and the individuals. That is the whole circle of the proof he said.

Mr. Collins felt that Mr. Thomas was trying to say that on the day of conflict, there is an earnings that an individual would make as a Bus Operator and there is an earnings an individual would make as a part time officer and if there is a conflict such as that, the CTA earnings would be used for that particular day. The Plan Attorney said that is correct. Mr. Burke said the only time he is suggesting the individual would lose would the strictly the conflict time but they would get the CTA time for this conflict time.

The Plan Attorney suggested a motion.

On a motion as follows by I. Thomas, seconded by S. Leonis, the Committee

Resolve that the part time union officers will be credited with pension eligible earnings as follows:

1. In those instances where there is a conflict in hours on a given date, namely, they are on both the CTA clock and the union time report to the extent there is a conflict on those hours, the individual would receive credit for the CTA employment not the union reported time.

2. In those instances where the individual worked for the CTA on a given date and also for the union on a given date, but the union time is not specified by hours and it may be ambiguous as to when they worked, the individual receives credit for all the CTA time and all the union time.

3. In those instances where the individual on a given date does not show any union time but CTA time, they would receive CTA employment credit. On a given date when the individual shows no CTA time but union time, they would receive credit for union time.

   Ernst & Young would make that calculation on a year by year basis for the years tendered by the individual and report that calculation to the Pension office for the determination of pension eligible earnings for that year. Ernst & Young would do so on the basis of the records provided by the Authority and the records provided by the individuals.

   Ms. Leonis also felt it should be understood that the determination by Ernst & Young should go back to Mr. Ross at the Pension Office, and the Pension Office will make the determination and grant these awards so it does not have to come back to the Committee, and we can consider this issue totally behind us.

Mr. Thomas said the Committee's intent is to make sure there is no duplication and they receive only what they are entitled to.

Mr. Lang asked if this is based on documents submitted by CTA and the union. The Plan Attorney said this is based on documents that came from individuals. They are union records but the individuals turned them over.

Mr. Guerrero asked if a part time union officer worked for CTA for 8 hours and then for the union, they would get credit for both. They said yes as long as it was not at the same time.

Mr. Anosike announced that Mr. Richard Winston has been appointed to fill the spot of Mr. Louis Sanford who retired.

Mr. Thomas also advised the Committee that Mr. M. Barnes is the alternate replacing Mr. David Washington.

Mr. Morris asked Mr. Burke a tax question. Mr. Ross told him if you get your actuarial life of your contributions spread over 20 years. The Plan says you receive your contributions first and if an individual retires at a $1,000 a month and he contributed $20,000 after 20 months with the Plan he would not receive a refund. The other thing is the tax implication, the IRS where it is spread over 25 years out. Ms. Black explained further that if she died and she has not been on pension a year, then she was taxed on a portion of that money she received which is what the Authority puts in. Then she only used a portion of the money that was tax deferred and what happens to the balance of her tax deferred money. Why is there not a refund. Mr. Ross said if a person contributes $20,000 before he retired and died 10 months later he only recouped $10,000 of his $20,000 of contributions. The Plan as he understands it would give him a refund of that $10,000. That is the Plan's policy. He said IRS has a policy that they want tax money sooner rather than later so they spread out that $20,000 over 20 years where that non-taxable portion is $1,000 a year. Mr. Ross said he felt Mr. Morris is saying is the Plan going to base it so he will get that refund based on the IRS mechanism or the Plan mechanism.

Ms. Rayford said we have already paid taxes on the money. If it is dispersed to my beneficiaries, is it taxed again. Mr. Morris said it is not dispersed to your beneficiaries.

Mr. Collins asked Mr. Morris if he is suggesting that tax credit should end up with the beneficiary as if their was a spouse option. He felt something was not done correctly.

Mr. Burke said he will look into this matter and advise next month.

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

7. Old Business - Mr. Thomas reiterated how at the last meeting he reported how we are short of help in the Pension Office. Mr. Thomas said the Committee is going to have to get someone from a temporary agency. He asked the Committee to support hiring someone temporarily for the receptionist position until the jobs are posted.

Ms. Rayford asked what happened about the job that was posted and then taken down. Mr. Thomas said for whatever reason they did pull this position, he cannot find anyone that would give him an explanation of why it was pulled down. He felt that the Committee should be responsible for posting those jobs because we are not doing what we are suppose to do and we are letting the Pension Department go especially those small positions and they are not adequately staffed.

Ms. Black asked why they could not go forward and interview the people who bid on that job originally. Mr. Collins said there is a process in place that when a bid is open and then closed and then re-opened, there is a way it has been treated in the past. He felt the Committee should be consistent with whatever that procedure is because it has been long standing. Once the candidates are actually selected when it is a union position, the three senior people are identified and interviewed and the person who is qualified based on seniority would get the job.

Ms. Rayford said it was pulled back by management and there was an oral grievance by the union. She felt the names should be pulled and they should be interviewed. Mr. Anosike said for a point of information the posting was not pulled back by management. Mr. Anosike said this is brought up every month but what has been done to send it back to Gerri Tapling. Mr. Guerrero received the requisition from Mr. Ross and the next step is posting the job again. Mr. Thomas asked if we have to post that job again.

Mr. Collins said his concern is that when a posting is taken down and then put back up two or three months later, then there may have been some people who have not seen the posting the first time and may see it the second time and were able to bid. If we deviate from how it has been done in the past, we may open ourselves up for a very big problem. He felt that if it is done as it has always been done, then those problems would be eliminated. Mr. Thomas wanted to know if the expiration date had expired when the posting was taken down.

Ms. Rayford said the expiration date had expired but the only time we have a problem and jobs are pulled back is because people who do not like who has applied for the job and they want to expand the list to get some more people on it.

Mr. Williams said if we have to re-post, let us do that instead of discussing and re-discussing what happened and move forward.

Mr. Guerrero said from information he received there were some candidates interviewed. Again, with the job requisitions that process is in place now.

Mr. Collins said if there was an interview of a candidate it was done by management and if it is a union job, that interview was not proper. In the past the interview, where a union position, were conducted by Mr. Perk and himself.

Mr. Anosike said it was pulled down by the Pension Office and there were no interviews conducted by CTA.

Ms. Rayford said there are two more positions in the Pension Office that need to be filled -- Ms. Muniz' position and a Steno position.

Mr. Williams suggested that Chairman and Vice Chairman get together with Mr. Ross.

Ms. Rayford does not believe in having the job re-posted again because she will have to tell those people who bid to put in a grievance.

Mr. Thomas commended Mr. Ross for the good job he is doing in the Pension Department.

Mr. Ross said a few points of information. One, Mr. Burke's Office has generated the disk to send the printer so that we can do the plan booklet.

Mr. Burke said an authorization has not been given to complete the Plan's 1998 audit. Previously, it was done by Ernst & Young. Ms. Leonis thought we were going to hire a new auditor. The Plan Attorney said we spoke of it but no steps have been taken to engage a new auditor.

Ms. Leonis said we should have a subcommittee to find a new auditor. The subcommittee is as follows: Ms. Leonis, Mr. Thomas, Mr. Williams, Mr. Kallianis. Mr. Kallianis wanted to know if we are under any obligation timewise to have this done. Mr. Burke said no, but they did have a fiduciary obligation to have it out by July.

Mr. Collins asked Mr. Ross if the part time union board members checks for the month of January. Has this reconciliation been accomplished. He said it has using 1995 earnings except for McCullom who was using different years. Mr. Ross said he will check and make sure.

9. **Executive Session - The Committee went to Executive Session at 11:05 A.M. The Committee adjourned from Executive Session at 11:29 A.M.**

10. **Adjournment - There being no further business, the Committee adjourned at 11:30 A.M.**

Wayne I. Ross

Wayne I. Ross

Chairman, Retirement Allowance Committee

Dated:______________________________

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