

AGENDA
FOR THE 550TH RETIREMENT MEETING OF NOVEMBER 29, 1994

1. Meeting will be called to order at 10:00 a.m., Harris Trust & Savings Bank 111 West Monroe Street, Executive Dining Rooms - 37th floor.
2. Roll call.
3. Approval of the Minutes of the 549TH Meeting held October October 25, 1994.
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) Williams Glispie - #07742 - request for retroactivity to 10/01/94.
 - (ii) Ronald Seno - #21133 - request for retroactivity to 11/01/94.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Berry Gray - #19949 - repaid \$3,795.36 under Rule #31 - pension seniority date - September 27, 1982.
 - h) Jerry Garcia - #26519 - 30 days extension to repay refund of \$887.21 has expired - new seniority date for pension purposes only is 07-19-93.
 - i) Lillian Dillard - #27453 - 30 days extension to repay refund of \$917.28 has expired - new seniority date for pension purposes only is 07-19-93.
 - j) Ellis Sansing - #21586 - 30 days extension to repay refund of \$1,017.34 has expired - new seniority date for pension purposes only is 06-19-93.
7. Old Business: Joseph Triolo - retired 08-01-94
8. New Business: Memorandum of Agreement
9. Financial Report
10. Adjournment.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 550th Meeting of the Retirement Allowance Committee was held on Tuesday, November 29, 1994, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room 37th floor. The following were in attendance:

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

Mr. L. Hill, Chairman
Mr. T. Stevens
Mr. W. Buetow

Mr. D. Perk, Executive Director, was in attendance, Mr. C. Lang sat in Mr. C. Burrus' stead. Mr. L. Sanford sat in M. Holzman's stead. Alternates also present were: L. Morris, R. Baughn, B. Rayford and L. Murray were in attendance. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. Mr. B. Baker of the Harris Trust and Savings Bank was present. Mr. Richard Burke of Burke, Warren & MacKay was present.

1. The Chairman called the meeting to order at 10:40 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by I. Thomas, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 549th Meeting of the Retirement Allowance Committee with revisions made by Mr. T. Stevens, Chairman, Real Estate Subcommittee.
4. Mr. Buetow, Chairman of the Investment Subcommittee, reported on the meeting held on November 29, 1994. Present were Subcommittee members T. Stevens, L. Hill, W. Black and I. Thomas. Chairman Buetow's agenda consisted of several items, the first of which was Weiss, Peck & Greer's Venture Associates, III, L.P. The investment was discussed and the Committee requested clarification relating to the fee structure. Committee recommended and the Board agreed that a representative from Weiss, Peck & Greer be invited to attend the December meeting.

The Subcommittee recommended and the Board agreed that a representative of ARK Capital attend the next meeting for a status report on this probable investment. Counsel stated fund not currently legally bound.

Mr. Buetow commented that projections indicate a year end cash balance of approximately 2 million dollars. A recommendation was made that a subcommittee be formed to discuss the funding requirements for the first six months of 1995. It was suggested by Mr. Hill that a Subcommittee was already in place (W. Buetow, I. Thomas, J. Williams and L. Hill) to deal with the funding issue. It was moved and seconded that this Subcommittee continue to function.

It was reported that Hart-Bornhoff was fully funded, and they did select 14 Certified Trading Advisers. The Committee will be updated on status of this investment at the next regularly scheduled meeting.

Mr. R. Hoffman, a staff member of the Wellesley Group, presented the results of Wellesley's September 30, 1994 quarterly report. Mr. Hoffman reported that the report shows poor performance for Weiss Peck & Greer's equity account. It was recommended, and the Committee agreed, that Weiss Peck & Greer's representative be brought in to the next meeting to discuss their performance.

Discussion on International Equity followed with committee requests for performance data from date of inception. Wellesley will change the recording structure prior to next meeting.

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

5. Mr. Stevens, Chairman of the Real Estate Subcommittee, reported on the meeting held on November 21, 1994, in the offices of Burke, Warren & MacKay. There were 5 items on the agenda.

Discussion of the RREEF account and the 1995 strategic property plan for the Meridian Business Campus. The annual meeting of partners is scheduled for December 6, 1994 at the offices of Burke, Warren & MacKay. The 1995 plan provides for initial capital contribution of 11.2 million which action requires the approval of at least two partners at the annual meeting. Additional capital contributions are to be funded out of projected revenues and in particular the anticipated sale of the retail center. (Last year some Committee members attended the Board Meeting and mentioned they were not going to put any additional money in; other co-investors concurred. This will probably be the Committee's position this year.)

The projected revenue is 15.55 million dollars at the Campus, and the construction of the retail project is substantially complete. There are early indications by RREEF that buyers are interested in purchasing the center for approximately 12.2 million dollars. RREEF projected the net sale of 12 million dollars. It is more than was anticipated. RREEF is negotiating a letter of intent which should be ready by the December 6th meeting. The construction of the retail mall, which is substantially complete, includes Builders Square, Pets Mart and the Super Trak Warehouse, all operating now. The Boston Chicken Restaurant is scheduled to open within 2 weeks and the Pizzeria Uno Restaurant will open next spring. The 1995 budget also includes 5.5 million that will be used to pursue build to suit opportunities and currently it is earmarked for Nitco, Inc. RREEF projected 20 land sales in 1995 and believes the goal is realistic because of

potential phase 2 of the retail project. Mr. T. Stevens reported that Burlington Northern's expansion of its computer station and the interest expressed by various tenants that Burlington Northern's planned expansion may have a negative impact on phase 2. Four tenant leases are scheduled to expire in 1995. Tenant A3 extended its lease for 1 year ending Feb. 28, 1996. They rent about 40,348 square feet. A new tenant has leased building 812 for a 3 year term. The cash balance was 2.9 million dollars as of September 30, 1994. Cash is earmarked for the completion of the retail project. RREEF tries to maintain a maintenance operating reserve of \$500,000 for tenant improvements and leasing commissions. The occupancy projection for 1995 is 100%.

The next item was two weaknesses of the property. Nearby farm land is prime space and weakens the potential for phase 2 of the retail project. Also, Cantera Development is aggressively pursuing build to suit properties and offers a better location. RREEF has still not finalized negotiations with Michael Jordan Golf Learning Center regarding guarantees of complete construction of the golf center and they will get back to the Committee to approve the final terms of the lease.

The next item was the Thornwood Residential Golf Course Community Development proposal. Attending the meeting were James Baumsley, Tom Marsette, Pat Crooks, and Dan Kenny. This is a masterplan community all permits and environmental approvals have been received from Kane County. The goal is to create a quality residential golf course community which will be sensitive to the environment. Three types of lot homes will be offered for sale. Majority of the lots will either front the golf course or the wetlands. The golf course they are developing will be a premier one and will be part of the PGA tour. In fact, they have a sponsor which is going to move one of the major golf outings to Thornwood. The PGA hopes to sell 200 corporate memberships and 300 equity individual memberships. The golf course will be owned by the members. A deal has not been finalized with the PGA. After they come to terms, they will get back to the Subcommittee. Also, according to the developer this deal will not affect the development's revenues. Thornwood will be one of only a few gated residential communities in the area.

The next item was the school district in that it is in the St. Charles School District which is No. 1 in Kane County. The project will be virtually 100% union built per the request of Mr. Holzman. The proposed investment is a 10 million dollar equity piece. Developer and co-equity partner are contributing land and other costs totaling approximately 20 to 30 million dollars. They will finalize the figure for the committee. Equity will be paid back within 3 years at an internal rate of return of 21.3% and the CTA can include in documents a provision that they are not responsible for any cost overruns. Northern Trust was also at the meeting. Their involvement is a contemplating issuance of 26 million dollars of tax free municipal bonds at 7-1/2%. The bond revenue will pay for the cost of public infrastructure cost. Pursuant to the strategic plan, all proposed equity investments must be viewed and recommended by a qualified manager or independent fiduciary. CTA needs to retain an independent fiduciary to review and

recommend the proposed investment. Townsend and Attorney Burke will identify the appropriate independent fiduciary and cost for obtaining such and get back to the committee.

The next item was the separate account fee schedule for RREEF funds. The October 27, 1994 letter outlined basically what Townsend had worked out to date and one of the open items was the disposition fee which they are still working on. RREEF is analyzing the last proposal in conjunction with 4th quarter appraisals and as soon as they are complete they will respond to Townsend's proposal. Townsend recommended that the Committee not pay the 2% disposition fee. It is 1% and John Karlovec of Townsend is going back and explain this to RREEF. The 1994 second quarter Performance Measurement Reports were distributed and this was in the new format which includes cash returns figures, and the second and third quarter reports will be discussed at the next Real Estate Committee Meeting in December.

The Townsend consulting contract which expired June 30, 1994 was discussed, and there was no final conclusion, and that item will be discussed in December.

On 191 N. Wacker, the subcommittee voted to pursue a liquidation plan of the investment in this property under the following scenario. First, a tenant for the present building will be sought at an attractive rental price. Second, a wealthy individual or group of individuals would acquire the property from the Plan, incidental to the granting of a historical easement of the facade of the building and thereby receive a significant deduction for the contribution of this easement. Third, the purchaser would then expend significant sums rehabilitating the building and would receive a significant tax deduction for these sums incidental to preparing the building for occupancy by the new tenant. Fourth, the new purchaser, with a lease in hand from the new tenant, would take and make a contribution of the building to a charitable entity which has a special real estate tax exemption. The purchaser would take a deduction for the contribution of the building with the tenant in place.

Finally, the Committee approved the use of RREEF and U.S. Equities to review the parameters for such a possible transaction. Attorney Burke prepared a two page memorandum on how this would work.

On a motion by C. Lang, seconded by L. Brown, the Committee unanimously approved the report of the Real Estate Subcommittee.

6. Mr. Tom Collins, Chairman of the General Administration Subcommittee, reported on the meeting held Monday, November 21, 1994, at the offices of Burke, Warren & MacKay, reviewed and tentatively approved items 6a through 6j (copy of agenda attached). Also several items came before the Committee namely a letter from James Allen requesting retroactivity. Upon review the Subcommittee found Mr. Allen's request unfounded.

A request by James Dudley for refund was approved by the Committee.

Dan Perk brought up two issues; one being that he is in contact with a group that would review our death insurance benefits to see if there is a premium that would reflect a cost savings. Also, Mr. Perk pointed out that there was some disenchantment with the Putnam treatment of certain trustees at the IFEBP Convention in New Orleans. It was suggested that he draft a letter to Putnam reciting our objection to treatment received.


The Internal Audit Department's audit to determine whether or not pensioners are actually alive and properly drawing benefits is ongoing. They have been able to identify all retirees except 200 people, and they need to do another mailing to identify them. This mailout will state that benefits will be cut off in the event there is no response to the letter. Mr. Stevens discussed the fact that there are 20 people who have direct deposit and the Committee should concentrate on those individuals and the banks will work with the Committee on this matter.

Mr. Perk will draft the letter to Putnam and send a copy to the members of the Committee. On a motion by Mr. Thomas, seconded by Mr. Stevens, the Committee unanimously approved the report of the General Administration Subcommittee.

7. Old Business -- Attorney L. Murray discussed Joseph Triolo who started working in October, 1983. The last day of work was 1/7/94 and on 3/24/94 he was transferred to Area 605. He thought he was applying for disability and ended up with regular pension. Discussion ensued whether he should be able to return to work. Mr. Triolo was found fit by CTA Medical on September 19, 1994. Mr. Perk said Mr. Triolo received his check and did not cash it and Pensions has been holding all subsequent checks. He made the request shortly after receiving the first check. Mr. Burke said that from a legal point of view he saw no problem in letting him return to work. Mr. Thomas was concerned that once you put the paperwork through and decide to retire and receive 5 or 6 checks you can change your mind. He felt it would set a wrong precedence. More discussion ensued about other employees who did the same thing. Mr. Thomas said he will accept the suggestion of Mr. Burke. Mr. Williams made the motion that we should accept the suggestion of the Mr. Burke but the record should show we will handle these on a case by case basis, and employees cannot return to work from pension status just because they do not choose to cash their checks. It was seconded by Mr. Collins.
8. New Business - Memorandum of Agreement. Mr. Burke said that this agreement was distributed by him and it sets forth in written form the provisions of the arbitration award which serves to effectively amend the retirement plan.
9. The Executive Director then turned the Committee's attention to the Report of Deposits, Disbursements and Investments in the Trustee Summary and noted that for the month of

October, 1994, the performance for the total fund was 0.86%, and the value of the total assets of the Plan as of October 31, 1994 amounted to \$1, 202,954,668.

10. The Committee adjourned to Executive Session 11:30 A.M. The Committee reconvened and adjourned the meeting at 12:00.



EXECUTIVE DIRECTOR,
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED: _____

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