

**RETIREMENT PLAN FOR CTA EMPLOYEES**

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**NOTICE**

**RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES**

THE INVESTMENT SUBCOMMITTEE AND RETIREMENT ALLOWANCE COMMITTEE MEETINGS WILL BE HELD **TUESDAY, JANUARY 24, 1995** AT 9:00 A.M. AND 10:00 A.M. RESPECTIVELY.

THE MEETINGS WILL BE HELD AT THE HARRIS BANK ON 111 W. MONROE, IN THE EXECUTIVE DINING ROOM ON THE 37TH IN ROOMS A & B.



## AGENDA

### FOR THE 552ND RETIREMENT MEETING OF JANUARY 24, 1995

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 551ST Meeting held December 20, 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) Juanita Duff - #00986 - request for retroactivity to 01/01/95.
    - (ii) Clarence Harris - #03529 - request for retroactivity to 01/01/95.
    - (iii) Frank Queen - #21341 - request for retroactivity to 01/01/95.
    - (iv) Sharon Brigham - #13450 - (disability) - request for retroactivity to 07/01/94.
    - (v) Sandy Perkins - #22306 - (disability) - request for retroactivity to 08/01/94.
    - (vi) Ralph Howard - #05690 - (disability) - request for retroactivity to 01/01/95.
    - (vii) Robert Telander - #19823 - (disability) - request for retroactivity to 01/01/95.
    - (viii) Claude Blocker - #06439 - (disability) - request for retroactivity to 01/01/95.
    - (ix) Clarence Harris - #03529 - Request for use of 1982, 1983, and 1984 earnings in pension calculation.

(x) Rhone Terrell - #06279 - (disability) - Request for use of 1984 earnings in pension calculation.

d) Presentation of Death Benefits for approval.

e) Presentation of Refunds of Contributions for approval.

f) Presentation of Bills and Remittances for approval.

g) Odean Johnson - #08508 - returned to duty - 12/19/94 - entered service date - 09/19/77.

7. Old Business

8. New Business: Election of Officers

9. Financial Report

10. Adjournment.

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 552nd Meeting of the Retirement Allowance Committee was held on Tuesday, January 24, 1995, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th floor. The following were in attendance:

Mr. I. Thomas, Vice Chairman  
Mr. L. Brown  
Mr. T. Collins  
Mr. J. Williams  
Ms. W. Black

Mr. E. Hill, Chairman  
Mr. T. Stevens  
Mr. W. Buetow  
Mr. M. Holzman

Mr. D. Perk, Executive Director, was in attendance, Mr. C. Lang sat in Mr. C. Burrus' stead. Alternates also present were: R. Baughn, M. Caffery, L. Murray, B. Rayford, L. Sanford and R. Schultz. 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. Messrs. J. Henderson and B. Scholz were also in attendance.

1. The Chairman called the meeting to order at 10:10 A. M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by Mr. I. Thomas, seconded by Mr. T. Stevens, the Committee unanimously approved the Minutes.
4. Mr. Buetow, Chairman of the Investment Subcommittee, reported on the meeting held at 9:00 A.M., January 24, 1995. Present were Subcommittee members T. Stevens, E. Hill, M. Holtzman, I. Thomas, W. Black and W. Buetow. Discussed was the letter submitted to Mr. Perk's Office by the Cash Committee. The object was funding the Plan for at least the first quarter of 1995. A decision was made by that Committee consisting of I. Thomas, J. Williams, E. Hill and W. Buetow that a \$17 million infusion of funds was needed by the Pension Fund at this time. Those funds were taken in the following order: \$2 million from GAMCO; \$5 million from Oppenheimer Capital; \$5 million from Delaware Investments; and \$5 million from Fidelity Equity. That transaction is to be completed on January 27, 1995. Sufficient funds will be available to pay benefits through the first quarter.

Also, discussed was the Pension Funding Analysis for 1995, which indicates what was anticipated the Fund would receive next year in contributions from both the employee and employer.

Mr. Joachimi, Wellesley Group, Inc., gave a presentation based on preliminary figures at the close of 1994 for all equity and fixed income managers. Basically, the fund performance was flat for 1994. The fund according to our actuarial assumption is seeking a return of 9% per year. There was a request that the Committee make available to the Board the fees of all equity and fixed income managers.

Also, a request was made by the Board that at the next meeting a "flash" sheet be developed by Mr. Joachimi on all managers, equity, fixed and others with their starting figures (money originally given to them by the fund), any debits or credits and their position at the present time.

There was an update on Hart-Barnhoft, a \$30 million investment to start a managed futures program with 14 traders. At the end of the next quarter there should be more information on their return, with historic returns at the time being 20%.

There was also a conversation regarding a question brought by Plan Counsel (Burke) regarding Ark Capital Management. There is a \$7 million commitment with Ark with a possible 4 year drawdown. When Ark made their initial presentation to the Committee, their fees were to be paid on invested capital not on committed capital. Plan Counsel informed the Committee that Ark made a request that their fee structure be changed and paid on committed capital. Plan Counsel will go back and reiterate that is not the Committee position, and they will be paid based on their presentation.

A motion was brought to the Committee for passage to rescind the South African resolution. A motion was brought by Mr. Stevens, seconded by Mr. Hill. The full Committee voted unanimously to rescind the South African resolution.

The members of the Retirement Allowance Committee request that the Committee meet with all money managers on at least an annual basis.

On a motion by Mr. T. Collins, seconded by Mr. L. Brown, 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 January 17, 1995 at 9:30 A.M., in the offices of Burke, Warren & MacKay. The first item was Thornwood Residential Golf Course Community. The Board has not retained an independent fiduciary to review and evaluate the proposed investment. The Northern Trust Company and Potomac Sports Property Incorporated are commissioning independent market feasibility studies which will be provided to the CTA. We are anticipating the studies being completed by March, 1995. This proposed investment may require an amendment of the real estate strategic plan. The Townsend Group and the Plan Attorney are to work with the developer to resolve several issues including, but not limited to, the investment structure. After Townsend and Attorney Burke have resolved

outstanding issues with the developer, the investment will come before the Committee for a final determination.

The next item discussed was the RREEF retail REIT. RREEF will come to the February Committee Meeting and do a presentation. Basically, RREEF is considering formation of a new private regional shopping center REIT which will include two malls in USA2 together with three malls from USA3. The CTA owns 15 units of USA3 with a total net asset value of \$13.7 million. Approximately two thirds of the REIT portfolio would consist of 6 properties contributed by USA2 and USA3. These six properties have a current carrying value of approximately \$700 million. Approximately \$150 million of new capital would be raised to provide liquidity for any present investor in USA2 and USA3 who elects not to participate in the new REIT. CTA's projected percentage of the new REIT is 1.16%. This might be an opportunity to get out of the USA3 because it is a closed end fund. Additional capital totaling up to \$300 million will be sought to acquire additional regional malls for the REIT. An independent consulting firm is to provide a fairness opinion on market evaluations. The proposed REIT will be governed by a board of directors with 7 to 11 members all but one of whom would be independent. The properties in USA2 and USA3, which are not transferred to the new REIT, will remain in the existing group trust and will be sold in an orderly manner. The Board requested John Karlovec research this proposal and what would be a fair price based upon the most current appraisals at year end 1994 and then make recommendations to the Board.

The third item was the separate account fee schedule for RREEF funds. Townsend recommended a separate account fee structure which was adopted by the Subcommittee. Townsend will advise RREEF accordingly, and RREEF is preparing a counteroffer based on year end appraisals. Townsend and the Plan Attorney are to follow up and finalize this item.

The next item was the third quarter 1994 performance measure report. The quarterly cash on cash return is 1.32%. The income return of 1.6% and an appreciation of .1%. The total gross return was 1.8% which compares favorably to the previous quarter's gross return of .5%. The portfolio quarterly gross return of 1.8% outperformed any RREEF index. Future reports will include each investment, original projection at the time CTA made each investment.

The last item is a letter Mr. Stevens received from MBC Partners updating the investment at Meridian Business Campus. One of the items left open was the possibility of refinancing one of the buildings where the mortgage was to mature on February 28, 1995. The lender's representative has negotiated a 5 year extension and basically the terms are that the existing lender has expressed a willingness to extend and modify the note as follows: Principal reduction by the borrower from \$2.12 million to \$1.9. The interest rate is tied to the 5 year U.S. Treasury yields plus 185 basis points, approximately 9-1/2% fixed. The debt service remains the same for the past 5 years,

which is \$20, 948, and the cost of providing this modified extension would be reduced since the documentation would simply be a loan extension agreement. Overall, their interest rate is reduced 1.365%.

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

6. Mr. Tom Collins, Chairman of the General Administration Subcommittee, reported on the meeting held on January 19, 1995 in the Pension Office. Mr. Collins requested approval of Items 6a through 6g (copy of agenda attached).

There was a lengthy discussion regarding the ongoing problem with the increasing number of disability pensions. An agency called Equifax was discussed. They are used by the City to discover fraud and are used by the CTA for workmen's compensation cases. The Executive Director spoke to a representative from Equifax regarding the probability of using this agency because we have in excess of 600 disability pensioners. The Committee wants to know is if all 600 plus pensioners are still disabled. Equifax is an international organization who will do precise investigations to determine whether a pensioner is disabled. They do additional things like securing photos of the disabled individual and their charges are -- within 50 miles of the City of Chicago \$50.00. If it is outside the City but within the State, it will not exceed \$100.00 per investigation. Equifax takes a photo or a tape, visit at least two adjacent homes to the property to make inquiries and ask the neighbors about the employee. There are some circumstances where an investigation is proper. We know we have a number of disabled pensioners who are holding full time employment. The Plan Attorney stated disability benefits were designed basically for disability. If a person is able to work, they should not be on disability. The Plan Attorney said the definition of disability in the Plan does not talk about the Committee getting the person a job. If the person is no longer disabled, their rights will terminate. A discussion ensued about the language in the CTA Pension Plan relative to disability. The Plan attorney said we are looking for standards of what is a disability. There should be a program devised to exam a disabled person every year, ask for their medical records, are they receiving income from another position and verification by tax returns. Mr. Collins said if a person on disability knows there is a watch dog like Equifax, a person might think twice before they perpetrate such fraud. It was suggested a representative from Law, Claims or Human Resources come to the Board Meeting next month to discuss this.

Mr. Collins said John Coyle was to go on pension January 1, 1995 and he asked for A1/2 be changed to B1/2. It was reviewed and decided to tentatively grant that request.

The Subcommittee also discussed HMO for seniors. The HMO would be their primary insurance. The price of the insurance is less than the Pension Board is currently paying. Packages have been sent to all retirees 65 years old and older and their family. The wife

has to be 65 years old too. Open enrollment may be extended from January 31, 1995 to February 28, 1995.

On a motion by T. Stevens, seconded by J. Williams, the Committee unanimously approved items 6a through 6g.

7. Old Business - The Plan Attorney spoke about adopting fiduciary standards. A copy was distributed to all members of the Committee to review. He wanted to get their input or approval. It will be deferred to the next meeting.
8. New Business - Election of the Officers: The nominations for the election of Chairman and Vice-Chairman of the Retirement Allowance Committee were presented. Mr. Holtzman nominated Mr. I. Thomas to serve as Chairman of the Retirement Allowance Committee and made a motion to this effect. The motion was seconded by Mr. Collins, and the Committee unanimously approved Mr. I. Thomas to serve as Chairman of the Retirement Allowance Committee. Mr. Stevens then nominated Mr. E. Hill to serve as Vice-Chairman of the Retirement Allowance Committee and made a motion to this effect. The motion was seconded by Mr. Buetow, and the Committee unanimously approved Mr. E. Hill to serve as Vice-Chairman of the Retirement Allowance Committee. Chairman Thomas would like all the meetings of the subcommittees to be held on the same day. The first meeting would start at 8:30 A.M.
9. Chairman Thomas then appointed the following subcommittees:

Investment Subcommittee

Tom Collins, Chairman  
William Buetow, Vice Chairman  
Wanda Black, Member  
Thomas Stevens, Member  
Milton Holtzman, Member  
Jerry Williams, Member

Real Estate Subcommittee

Jerry Williams, Chairman  
Loid Brown, Vice Chairman  
William Buetow, Member  
Milton Holtzman, Member  
Thomas Stevens, Member  
Tom Collins, Member



General Administration Subcommittee


Thomas Stevens, Chairman  
Wanda Black, Vice Chairman  
Loid Brown, Member  
William Buetow, Member  
Jerry Williams, Member

By virtue of their offices, the Chairman and Vice Chairman of the Retirement Allowance Committee will serve on all subcommittees.

10. 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 December, 1994, the performance for the total fund was +1.26%, and the value of the total assets of the Plan as of December 31, 1994, amounted to \$1,168,844.992.
11. There being no further business, the Committee unanimously agreed to adjourn at noon.



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Executive Director,  
Retirement Allowance Committee



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Chairman,  
Retirement Allowance Committee

Dated: February 23, 1995

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