

## **RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY**

The 556th Meeting of the Retirement Allowance Committee was held on Tuesday, May 16, 1995, at the Harris Trust and Savings Bank, 111 West Monroe Street, 5th Floor West Conference Room. The following were in attendance:

Mr. I. Thomas, Chairman	Mr. T. Stevens
Mr. T. Collins	Mr. W. Buetow
Mr. L. Brown	Mr. M. Holzman
Mr. J. Williams	
Ms. W. Black	

Ms. L. Murray sat in Mr. C. Burrus' stead, Mr. L. Sanford sat in Mr. E. Hill's stead. Alternates also present were L. Morris, R. Baughn, M. Caffery, C. Lang and R. Schultz. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. Ms. Colleen Ambrose of the Harris Trust and Savings Bank was present. Mr. R. Burke of Burke, Warren and McKay was present. Messrs. C. Spears, J. Henderson and B. Scholz were also in attendance.

1. The Chairman called the meeting to order at 11:35 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by M. Holzman, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 555th Meeting of the Retirement Allowance Committee.
4. There was no Investment Subcommittee Meeting held this date.
5. Mr. J. Williams, Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

A presentation on Thornwood was made by Mr. T. Marcet on behalf of James Follensbee & Associates. James Follensbee & Associates have had independent appraisals and independent golf analysts come in and review the

project. The appraisals showed that this particular project at this particular time makes economic sense and is justifiable. The last several months they have been working toward getting the PGA involved. They have received several letters from the PGA and TPC (Tournament Players Club) which indicated this would be a Tournament Players Club. There are no TPC Courses in Illinois. The members of the Retirement Committee received an executive summary of TPC courses and their comparison with other golf course communities and how well the real estate has done. It showed that TPC communities do even better after a tournament because of the publicity of big name players and then everyone wants to be part of it. There is no obligation on the Committee as far as memberships to the golf course or any loss that the golf course or the club house may have. The golf course operations are handled by the PGA. The PGA will probably have 50% of the memberships sold before the course is ready to play. The Fund was originally going to be a partner but went from partner to a participating mortgage. As the lots are sold, that cash flow will be used to pay interest and return the various debt obligations. The rate of return will be 14-1/2%. The Fund will get the principal and interest back in 5 years. The proposal that is before the Committee, according to the Plan Attorney, is that the Plan would make a loan and we would have a mortgage on the residential lots plus we would have a mortgage on the golf course. As the residential lots are sold, the income first goes to the people who are putting in the water supply, then for the roads. The rest goes into an escrow account and as that account accumulates, the proposal is that the Fund will receive interest rates of 14-1/2% on its investment, and will receive principal return over a period of time. The Plan is not responsible for the golf course but we would be impacted negatively if the memberships are not sold. It is a development project but to a certain extent Meridian was as well.

Different committee members spoke of their feelings pro and con about the deal. It is in the one of the best school districts in Illinois, and Metra will be extending the rail line. Mr. Karlovec said his company is very comfortable and confident in the developer's capabilities. All federal, local and state approval have been obtained. All the entitlements are in place and basically all they are ready to turn dirt.

Mr. Marcet said they are projecting 51 sales in the first year. The first year that principal would be returned would be 1998 and by the year 2000 all the principal would be returned.

Another presentation was made by Mr. Robert Apodaca of Kennedy Real Estate on Dallas Industrial and Multi-Employer Trustee. He told how our joint venture had invested in 15 industrial buildings in the Dallas area. It was projected over 2 years ago that the Plan would hold the properties for 10 years assuming a very modest grown. There has been a lot of activity, a lot of leasing and, therefore, the Plan's properties have done very well. In 1994, the gross income on the properties was 10.06% and originally it was projected at 9.67%. Kennedy's goal in 1994 was to

be 98% leased and it was 99.8% leased. They have received 3 bids for the properties. The Dallas Market is at its all time high. A question was raised what if the Plan wants to sell and the other investors do not. If two investors want to sell, then the properties will be sold.

Last year, the Plan authorized Kennedy to invest an additional amount for some "to be built properties." They are working on two. One will close May 22 - West Bark Center.

The multi-employer property trust is an investment of \$10 million that was made in the third quarter of 1989. Kennedy has just funded their first major apartment complex Northwest of Chicago called the Wheatlands with 352 units.

Mr. Williams stated Capital Associates wanted to put Country Lakes Apartments on the market. They want a consensus from the Committee that it will be okay to put the property up for sale. The Plan put in excess of \$8 million in the property according to the Plan Attorney. Mr. Stevens made a motion, seconded by Mr. Collins that we follow the recommendations of the Committee.

RREEF, according to Mr. Williams, did get 60% affirmative vote to amend the group trust and take three properties out of USA3 and put them into a new RREEF REIT. The Committee does not have to make a decision at this time.

On a motion by Mr. Stevens, seconded by T. Collins, the Committee unanimously approved the Real Estate Subcommittee Report.

6. Mr. T. Stevens, Chairman of the General Administration Subcommittee, reported on meeting held this date. Mr. Stevens requested approval of Items 6a through 6h.

Before the presentation by Mr. Czech, some questions were raised to Mr. Forte about why an employee with 25 years would go on disability. The answer was it is easier to get Social Security. The Chairman asked Mr. Forte whether married employees were told about the survivorship option when they retire. The answer was yes and quite a few have said they have outside insurance that was cheaper. Mr. Forte said normally those who retire young do not take the option. Mr. Collins said they have looked at a policy but the main drawback is it is a one time payout as opposed to a monthly payout for the surviving spouse. Mr. Stevens suggested Benefit Services check with different insurance companies regarding their policies.

In addition to the above, Mr. Tom Czech discussed disability retirements and what can be done about the growing number. Messrs. Forte, Paravola, Bruen and Czech had met recently to discuss current procedures relating to employees getting proper medical certification. There are upwards of 650 individuals on disability and it is felt there is a need for medical certification. The Board does not want to escalate

the numbers upwards so if someone presently applies for disability retirement, it should be reviewed and if there is need for medical certification, it should be obtained immediately. If it is a temporary disability, an appointment for the follow-up medical should be made so that there would be a record of those individuals applying, and they would not be included in the review process of the current pensioners. There is a form to be used that was developed in 1993 to be completed by the Pension Office, CTA Medical, Workers Company Medical or any physician that the Committee chooses to use. The form also will include information on how the physician made the determination, whether they personally examined the employee or whether they reviewed outside information from the employee's physician, the nature of the disability, description and type of disability and this would come back to the Pension Office, and they would be able to complete their file and set up a record of follow-up exam. If an individual is receiving Medicare, it was a good indication that the person has a justifiable disability. Medicare's definition of disability is very strong.

There will be a letter sent out to each individual on disability asking for a letter from their doctor to show they are still on disability. This letter will be sent by Mr. Forte of the Pension Office. Mr. Czech proposed that an independent physician be used because there could always be a question if CTA gives the exam or Worker's Comp does that there was a possible bias. It is better when doing a review if a third party doctor is used that the Committee chooses. CTA doctors or Worker's Comp doctors would be used for employees applying for disability now in conjunction with their own physician. The process is not changing, the Committee is just instituting better record-keeping.

A period of discussion ensued with questions being answered by both Messrs. Czech and Forte.

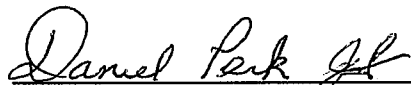
One of the most important questions asked was what if everyone on the list was eligible to return to work to their regular job, what then could CTA do to accommodate these individuals. Mr. Stevens said they would be put wherever there are openings and if there were no openings, they would be put in Area 605. Mr. Czech said there is a certain process that is followed in how you handle 605 employees. It is done according to seniority and 241 jobs go to 241 employees and 308 jobs go to 308 employees. The point was brought up that there are many on disability that should not be there and disability is to mean the loss of limb or eyesight and that the Committee had to locate those individuals who are not really disabled. Mr. Stevens reiterated that before any funds are cut off from any individual, it would come back to the full Committee for final disposition. It was decided that Mr. Czech and the Pension Office would get together to work out which doctors will be used.


Ernst and Young will be coming to a Board Meeting either in June or July and will do a review of the audit.

There was a short discussion on the 9 people who have still not responded to the letter verifying they are alive and receiving benefits. The Pension Office will now have an outside investigator review those cases.

On a motion by Mr. L. Brown, seconded by Mr. J. Williams, the Committee unanimously approved items 6a through 6h.

7. Old Business - Mr. Stevens brought up the fact that Mr. Joachimi needs to put on his reports what amount of money was originally invested and the rate of return.
8. New Business - None.
9. Financial Report - Mr. W. Ross then turned the Committee's attention to Report of Deposits, Disbursements and Investments in the Trustee Summary and noted that for the month of April, 1995, the performance for the total fund was 1.74%, and the value of the total assets of the Plan as of April 30, amount to \$1,232,380,859.
10. There being no further business, the Committee unanimously agreed to adjourn at 12:10 P.M.

  
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Executive Director,  
Retirement Allowance Committee

  
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Chairman,  
Retirement Allowance Committee

Dated: June 27, 1995