

AGENDA

FOR THE 558TH RETIREMENT MEETING OF JULY 25, 1995

1. Meeting will be called to order at 11:30 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 557th Meeting held June 27, 1995.
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) Hosea Jones - #6495 - request for retroactivity to 06/01/95.
 - (ii) Pierre Jose - #9959 - request for retroactivity to 07/01/95.
 - (iii) Levant Hampton - #23494 - request for retroactivity to 07/01/95.
 - (iv) Nelson Bailey - #2788 - request for retroactivity to 07/01/95.
 - (v) J. D. Rice - #3089 - (disability) - request for retroactivity to 04/01/95.
 - (vi) Sarah Hall - #2396 - (disability) - request for retroactivity to 06/01/95.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
7. Old Business:
8. New Business
9. Financial Report
10. 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, JULY 25, 1995 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 **HARRIS BANK, 111 W. MONROE,** IN THE EXECUTIVE DINING ROOM ON THE 37TH FLOOR IN ROOMS A AND B.



RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 558th Meeting of the Retirement Allowance Committee was held on Tuesday, July 24, 1995 at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. T. Collins
Ms. W. Black

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

Mr. D. Perk, Executive Director, was in attendance. Mr. L. Morris sat in Mr. Thomas' stead. Mr. C. Lang sat in Mr. Burrus' stead. Mr. R. Baughn sat in Mr. Brown's stead. Alternates also present were L. Sanford, P. Beavers and M. Caffery. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. B. Baker, S. Ross, F. Duda and C. Ambrose of Harris Trust and Savings Bank were present. Mr. T. Paravola 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 12:20 P.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by T. Stevens, seconded by T. Collins, the Committee unanimously approved the Minutes of the 557th Meeting of the Retirement Allowance Committee.
4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held on this date.

A presentation was made by Mr. William Walker on the commingled J. P. Morgan Oil and Gas investment. Several members of the Retirement Allowance Committee asked questions relative to the performance of this investment and how a withdrawal request is made. Mr. Walker replied that a request for withdrawal of funds cannot be made until after the 6th year and only if cash flow allows. The return of funds would be a maximum of 25% per year over a period of four (4) years to exit the fund.

Ms. Raye Dube of Morgan Stanley International Equity gave a presentation on their commingled investment fund.

Mr. Norm Losk presented an actuarial report.

On a motion by Mr. Buetow, seconded by Mr. Lang, the Committee unanimously approved the Investment Subcommittee Report.

5. Real Estate Subcommittee - No subcommittee meeting held this date. The Executive Director reported that PRITA, the last property in this commingled real estate fund, was sold. Mr. Perk believes the fund may close out in the third quarter 1995. Mr. Perk reported receiving a letter expressing an interest in the 191 N. Wacker Drive Building. Copies of the letter to be sent to T. Stevens and J. Williams.
6. Mr. T. Stevens, Chairman of the General Administration Subcommittee, reported on the meeting held this date. Mr. Stevens requested approval of items 6a through 6f.

The Executive Director brought up the case of employee Geraldine Gale who made an application for disability retirement. She spent four (4) years in Central Counting as a Full Time Temporary Currency Processor. In 1987 E. Gresham, then Chairman of the Retirement Allowance Committee and President of Local Division 241, and Dan Perk, then CTA Treasurer and Senior Deputy Executive Director of Finance and Administration, negotiated an agreement that said full time temporary Currency Processors would receive no benefits other than a riding pass and whatever benefits were required by law (Workmen's Compensation). It was agreed FTT Processors would receive \$7.00 per hour. In 1988, there was another agreement signed by the Executive Director, Robert Paswell, E. Gresham and G. Chevere, in it 10 of the 30 processors were made permanent. In that agreement, the benefit limitations were repeated. The problem with reference to Ms. Gale is, if she does not, per those agreements receive credit for her 4 years at Central Counting, she will not have the required 10 years for disability pension. A discussion of the Ramona Bolden case followed, it ultimately went to Professor Healy in an arbitration matter and Professor Healy at that time stated this is a unique circumstance, that it will probably not happen again, and further that subsequent arbitration should clarify that issue. The issue was never clarified. It is reported that there are some 20 employees as FTT Processors at Central Counting, some of who are eligible for retirement based on age, others on service. The Committee was asked by Mr. Perk to decide one way or the other if those years at Central Counting count. If the Committee decides to approve those 4 years, mentioned above, Mr. Perk said he saw a problem with FTT Operators and FTT Ticket Agents. A discussion of this matter followed. The Plan Attorney, Mr. Paravola, discussed the matter with the Committee and reported how this matter was dealt with in an

earlier case. He stated that it was never solved because Mr. Healy made a decision regarding Ms. Bolden only.

Professor Healy assumed there were no other employees in the same circumstance; we now know there may be as many as 20 other employees as FTT Currency Processors. Plan Attorney Paravola stated that the Plan is for full time permanent employees. That is a basic provision of the Plan. The Committee needs to look at whether they want to bend like the Committee did in the Bolden matter. Plan Attorney said it should go back to the Committee. A decision was postponed until next month's meeting. Ms. Wanda Black, Mr. L. Sanford and the Plan Attorney will meet with Mr. T. Czech to review other employees in a like position.

Mr. Perk discussed Vernon Nelson who accepted a job as a Mart Data Collector on March 7, 1995 and was in that position for less than one day. The job did not pay 80% of his previous job and on that basis he was allowed to go back to disability pension. Mr. Nelson is requesting retroactive disability beginning on March 7. Because the job did not pay the 80% of his former job, the Committee voted to give him retroactive pay back to March 8, 1995.

There was a presentation by Ernst & Young representatives Mike Shanley and Katie Scott, who managed the 1994 audit of the Pension Plan. They went over the results of the audit with the Committee. Mr. Shanley stated that the system for determining Plan benefits is a labor intensive system. It is automatic to the extent that the pension benefits are determined by computer system. The controls in the clerical system is one person does the calculation and another person verifies the calculation. CTA Auditors do a complete, separate review of all pension applications to determine whether the benefits have been appropriately dispensed. From a clerical prospective, you look at this system on paper, and you say this is a pretty good system. The problem with a clerical system is people make mistakes. There was a discussion about the Costley case. The office made a mistake because there was a new hire date, and Internal Auditor made the same mistake. Mr. Costley received benefits for one year he was not entitled to. The system as it is designed is a good system. From an auditor's perspective it is a good system.

Mr. Perk asked Mr. Shanley to explain to the Committee what is meant by a "clean audit". He explained (1) the systems within the Pension Office are adequate. This, however, does not mean mistakes are never made, and with the large volume of transactions that go through the office it is possible to have a mistake; (2) further that the financial statements do not contain material error.

Mr. Shanley discussed the Plan's investment in managed futures, pointing out the risks. He suggested a limited partnership or some means of sheltering the Plan assets rather than putting them all at risk. Later Mr. N. Joachimi discussed limited partnerships with Committee members.

Mr. Perk informed the Subcommittee on General Administration that contracts for Ernst & Young and the Wyatt company, both expire on September 30, 1995. The Chairman of the General Administration Subcommittee recommended and the Retirement Allowance Committee approved the following contracts: The Wyatt Company for period 10/1/95 to 9/30/97 at \$35,000.00 per year and for Ernst & Young for period 10/1/95 to 9/30/96 - \$38,700.00 and for 10/1/96 to 9/30/97 - \$39,500.00.

On a motion by Mr. Collins, seconded by Mr. Lang, the Committee unanimously approved the General Administration Subcommittee.

7. Old Business - None
8. New Business - None
9. Financial Report - The Executive Director then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that for the month of June, 1995, the performance for the total fund was 1.70%, and the value of the total assets of the Plan as of June 30, 1995, amounted to \$1,271,238,394.
10. There being no further business, the Committee unanimously agreed to adjourn at 12:30 P.M.



Executive Director
Retirement Allowance Committee



Chairman,
Retirement Allowance Committee

Dated: August 22, 1995