

RETIREMENT PLAN FOR CTA EMPLOYEES

10 SOUTH RIVERSIDE PLAZA

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NOTICE

RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, JANUARY 23, 1996 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.

A LUNCHEON FOR THE COMMITTEE GIVEN BY HARRIS BANK WILL BE HELD AFTER THE MEETING.



AGENDA

FOR THE 564TH RETIREMENT MEETING OF JANUARY 23, 1996

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 563rd Meeting held December 19, 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) Ronald Cheney - #17316 - request for retroactivity to 01-01-96.
 - (ii) George Cooper - #19915 - request for retroactivity to 01-01-96.
 - (iii) John Kochopolus - #34360 - request for retroactivity to 01-01-96.
 - (iv) Angel Rosado - #1328 - request for retroactivity to 01-01-96.
 - (v) Charles Spencer - #6285 - (disability) - request for retroactivity to 01-01-96.
 - (vi) Jerry Reed - #5602 - (disability) - request for retroactivity to 12-01-95.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Alberto Demarco - #17587 - returned to duty 12-18-95.
7. Old Business
8. New Business
9. Financial Report
10. Adjournment.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 564th Meeting of the Retirement Allowance Committee was held on Tuesday, January 23, 1996, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. I. Thomas, Chairman	Mr. E. Hill, Vice Chairman
Mr. J. Williams, Sr.	Mr. T. Stevens
Mr. T. Collins	Mr. W. Buetow
Mr. L. Brown	Mr. M. Holzman

Mr. D. Perk, Executive Director, was in attendance. Mr. C. Lang sat in Mr. Burrus' stead. Mr. L. Morris sat in W. Black's stead. Alternates also present were R. Baughn, M. Caffery, B. Rayford, L. Sanford, P. Beavers, R. Schultz and L. Murray. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. B. Baker and F. Duda of Harris Trust and Savings Bank were present. Mr. R. Burke of Burke, Warren & MacKay was present. Messrs. B. Scholz, J. Henderson, C. Spears and Bill C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 10:15 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. The Plan Attorney made some revisions to the Minutes of the 563rd Meeting. On page 4 of the Minutes, second paragraph, third line, remove the parenthesis and bracket signs and after "Mike" add *Bruen*. Also on page 4, third paragraph, third line, after "medical" add *examination*.

On a motion by Mr. Stevens, seconded by Mr. Williams, the Committee unanimously approved the Minutes.

4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Collins discussed the lingering issue concerning Palmyra and Ark. Mr. Collins received several telephone calls from Mr. Granger of Ark who said he has a closing for January 31. He asked to come before the Committee. Mr. Collins could see no reason why he should come in. Mr. Granger has 15 million but needs \$5 million from the CTA to close with \$20 million. Mr. Joachimi said his position has not

changed from the December meeting. He thought we should not invest. Mr. Williams thought Mr. Granger should be called to appear before the Committee again. Mr. Williams wants it to be thoroughly investigated.

The Committee decided to call Mr. Granger to see if he would appear before the committee today.

Mr. Joachimi discussed the Harris Bank situation at length with the Committee. Mr. Joachimi discussed how quite a few of the banks have been getting out of the institutional trust business because they cannot compete with the large organizations. Harris has \$100 billion in their Trust Department. They are not small but Harris said they cannot compete. He cautioned the Committee on the search that they choose a bank who will still be in business a few years from now. Mr. Joachimi offered his help because they do a large amount of work in this area and because the institutional trust business will consolidate into just a few banks in the next few years. He named a few banks (State Street Bank & Trust of Boston; Northern Trust, Citibank, and Amalgamated (which is tied in with Mellon) that he felt will still be in this type of business in the next few years.

Mr. Stevens asked Mr. Joachimi whether when big institutions basically absorb the smaller ones is there a reduction in the fees. Mr. Joachimi said there could be anywhere from 20% or more and it could be as much as 50%. That is why these smaller institutions are getting out of the business. They cannot compete with the bigger institutions on that side of the business. Mr. Thomas said there are numerous people in the trust business who would take on business like CTA's at a zero cost. He wanted Mr. Joachimi's opinion of this. Mr. Joachimi said they make their money on what they call the float; stock lending. For example, State Street Bank & Trust of Boston is zero. Mr. Thomas asked if the zero cost has any impact on the risk factor. Mr. Joachimi said it did not. Mr. Hill questioned whether someone would take more risk to get a better return. Mr. Joachimi said there is always a risk. Mr. Stevens brought up the point they will have a tendency to go for the 50 basis points more. Mr. Joachimi used State Street Bank & Trust as an example. He said they are no more of a risk than what we now have with Harris.

There was a presentation by Oppenheimer Capital, a growth and income manager, who has the best performance in 1995. Messrs. David Santry and Paul Doane gave highlights of the last year. The approach they take in building the Plan's portfolio is looking for those extra quality companies that are very attractively priced. They try and buy good businesses at reasonable prices. They then build the portfolio which in most cases is more concentrated. Oppenheimer run the portfolio with somewhere between 35 and 40 stocks in the portfolio.

Mr. Buetow complimented Oppenheimer because they had the best domestic equity performance for 1995.

The next presentation was by ANB Investment Management and Trust Company. They were represented by Messrs. Stephen P. Manus, Neil R. Wright and James J. Barrett. They consider themselves a growth and income manager for the Plan. They stumbled a bit last year after a number of years with excellent performance for the Plan. Mr. Wright discussed what happened in 1995 and what they have in mind for 1996. He said they are about to enter a 3 or 4 year period which is ideal for market power stocks and for big buy back stocks.

A special presentation was made by Mr. Granger of Ark to explain his proposal. He gave a recap on where they have been and where they are going. They have changed the structure of the fund to a direct investment fund which would invest directly into companies. They are ready to close on a minimum of \$20 million and have commitments to close on that amount of money.

Mr. Granger was asking that \$7 million of the CTA Pension Fund be invested into their fund. Mr. Joachimi asked what they will do if CTA does not join the fund. He said they will have to keep trying until they get the \$20 million. The other companies will still go in the fund even if CTA does not but the question is how long can Ark keep them on hold without closing the fund.

Mr. Granger was asked by Mr. Thomas what he is trying to accomplish. He is trying to recognize that there are a significant number of minority businesses that are established and have the potential for growth but what they need is equity capital. The investment strategy is to invest in a minority business that need investment to grow beyond the size they are now.

There was a discussion between the Members and Mr. Joachimi regarding Ark. Mr. Joachimi felt that if we would invest we would be in a riskier asset. CTA would be owning a fund that is 30 to 33% riskier in the first place. The money would be tied up for anywhere from 5 to 10 years. Mr. Morris did not think we should invest. He thought it was too risky of an investment. Mr. Thomas agreed because Mr. Joachimi thought it was too risky. A few days previous to the meeting, Mr. Granger presented Mr. Collins with a different scenario and now at his presentation it was an entirely different type of fund he is proposing. This deal will not go through unless there is definitely \$20 million. The Chairman did not think a motion was necessary because the Committee had taken the position before that we were not going to do anything with Ark. The Committee had invited Mr. Granger in just to clarify matters and if we changed our minds, we would make a motion.

For the record, Mr. Williams made a motion that we furnish the \$7 million to Ark. The motion was not carried.

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

5. Mr. J. Williams, Sr., Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

Mr. Williams discussed the 191 Wacker Drive Building and the property tax. Mr. Williams would like the Committee to make a decision regarding this building. Representatives from RREEF (J. Egan, R. Wilkoff and their actuator) discussed the position they took. They discussed how we obtained this property. This was a time when rents declined dramatically and there was no need for new development. RREEF have always suggested tearing the building down and building a parking lot.

Mr. Williams asked if the City might declare this a landmark. The Plan Attorney said it is very remote that it would be declared a landmark building. Mr. Williams said he did not wish to be stuck with a landmark building.

The appraiser did not look at the building but just at the land. He was not given the task to look at the building itself.

The law firm of Daley and George has been retained by the Committee to appeal property taxes.

There was a long discussion with RREEF about the Wacker Drive Building, whether to tear it down and put in a parking lot or sell it for a loss. If the building is torn down, the taxes would be cut in half. Bids for demolishing the building and putting in a parking lot were received in 1993. General Parking, Standard Parking and System Parking were the parking lot vendors. Mr. Lynch's recommendation was that the parking lot vendor run the business and we get a fixed amount. The meeting adjourned to Executive Session regarding this at 11:30 A.M. Upon their return at 11:45 A.M. the Committee decided to put the building up for sale at \$9 million and also to get the permits to demolish it.

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

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 g. Present for the meeting were W. Buetow, J. Williams, Sr., L. Brown and T. Stevens.

Regarding Katie Lowe, the Plan Attorney told Mr. Forte to put her back on disability and the Plan Attorney will check her medical records to see if Ms. Lowe was disabled at the time in question.

Another case brought up by Mr. Forte was Charles Boxley. This case has been ongoing since March, 1994. The Plan Attorney will check Mr. Boxley's medical records to see when he became diabetic. He had been okayed to return to work in April, 1994. Mr. Boxley should go on disability as of January but the Plan Attorney is checking out if it is retroactive.

The final notice to the individuals on disability will be sent out this week. There are approximately 120 who did not send in both portions and/or sent in neither questionnaire.

Geraldine Gale and Vivian Bowie have been changed to full time permanent positions. Mr. Czech said the notices had been sent out and the Pension Office should have received a copy of the change notice but he will send another copy today.

Mr. Czech and Mr. Pollack returned to present the final draft of the Annual Statement of Pension Benefits with all the changes the Committee requested. The statement is tailor-made to employees who have 25 years before they are 65 years old, employees who have 25 years at the present time and employees who reach 65 years old before they have 25 years. It is tentatively scheduled to be sent out in March. Mr. Hill made a motion to approve this form, seconded by T. Stevens, the subcommittee unanimously approved this form.

On a motion by Mr. Hill, seconded by Mr. Collins, the Committee unanimously approved items 6a through 6g.

7. Old Business - None
8. New Business - Mr. Thomas had concerns that replies regarding RFP's would be sent to the Plan Attorney's Office. He wondered why it was not requested that it be sent to the Chairman or to the Pension Office. The Plan Attorney had been told to have the material sent to himself Mr. Thomas clarified that material of this nature should be sent to the Chairman or the Pension Office.

There was a discussion about the RFP and receipt of same. Mr. Hill said the RFP's should be sent to the Investment Subcommittee. Mr. Hill said the Chairman of the Investment Subcommittee should explain why the RFP's were not sent. Mr. Collins

replied that he had discussed this with Mr. Buetow. There was an issue about how it was going to be sent out -- was it going to be an RFI or and RFP. A decision was made at last month's meeting by Mr. Joachimi on how it was suppose to go out and what heading it was suppose to go out as. A decision has to be made, according to the Chairman, in a very short time.

9. Financial Report - The Executive Director then turn the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that for the month of December, 1995, the performance for the total fund was 1.20%, and the value of the total assets of the Plan as of December 31, 1995, amounted to \$1,346,693,895.

Mr. Perk told how the properties of PRITA were sold off. They sold off the final piece of property and once the Plan Attorney goes through closing down that commingled fund, then in about October, 1996, there will be one more distribution closing out that fund and then there will be a final audit some time in early 1997.

10. There being no further business, the Committee unanimously agreed to adjourned at 1:25 P.M.



Executive Director,
Retirement Allowance Committee



Chairman,
Retirement Allowance Committee

Dated: March 26, 1996