

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 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 NORTHERN TRUST COMPANY, 50 S. LA SALLE STREET, IN THE DIRECTORS' DINING ROOM ON THE 6TH FLOOR.



{revised} AGENDA

FOR THE 570TH RETIREMENT MEETING OF JULY 23, 1996

1. Meeting will be called to order at 11:30 A.M., Northern Trust Company, 50 South LaSalle Street, Director's Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 569th Meeting held June 25, 1996.
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) Bobbie Neita - #9494 - request for retroactivity to 03-01-96.
 - (ii) Maurice Peters - #18962 - request for retroactivity to 07-01-96.
 - (iii) Spencer Bibbs - #8404 - (disability) - request for retroactivity to 05-01-96.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Ronald Williams - #8154 - 30 days extension to repay refund of \$12,734.37 has expired - new seniority date for pension purposes only - 04-03-95.
 - h) Janice Ruffin - #13880 - returned to duty - 07-10-96
7. Old Business
8. New Business
9. Financial Report
10. Adjournment.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 570th Meeting of the Retirement Allowance Committee was held on Tuesday, July 23, 1996, at The Northern Trust Company, 50 South La Salle, 6th Floor Directors' Dining Room. The following were in attendance:

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

Mr. E. Hill, Vice Chairman
Mr. T. Stevens
Mr. W. Buetow
Ms. S. Leonis

Mr. D. Perk, Executive Director, was in attendance. Mr. C. Lang sat in Mr. Holzman's stead. Alternates also present were L. Morris, B. Rayford, L. Sanford and R. Schultz. W. Ross, L. Smith and A. Dungan of the Pension Office Staff were in attendance. Mr. T. Paravola of Burke, Warren and MacKay was present. Messrs. B. Scholz, C. Spears and J. Henderson were also in attendance.

1. The Chairman called the meeting to order at 10:35 A. M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by Mr. Williams, seconded by Mr. Brown, the Committee unanimously approved the Minutes of the 569th Meeting.
4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held this date. Members of the Investment Subcommittee present were: W. Buetow, T. Stevens, L. Hill, I. Thomas, S. Leonis and T. Collins.

Ms. Susan Leonis was appointed by the Chairwoman of CTA to replace Mr. Clark Burrus as a member of the Retirement Allowance Committee. Chairman I. Thomas then appointed Ms. Leonis a member of the Investment Subcommittee.

At the May 21, 1996 Meeting of the Retirement Allowance Committee, a motion was passed recommending that the investment management services of W. R. Lazard & Company be terminated. Further, the Committee recommended that after the transition of Plan assets from Harris Trust to The Northern Trust Company is

complete, the Lazard portfolio will be transferred, in kind, to the Amalgamated Bank and that their sub-advisor will have the ability to trade or liquidate the portfolio.

Mr. Joachimi discussed with the Committee, problems and his concern with the Wedgewood Capital Portfolio. Mr. D. Perk consulted with Mr. L. Hill, Vice-Chairman and Mr. Joachimi their concerns with regard to Wedgewood effectively going out of business. It was agreed to instruct Wedgewood to stop trading, and this was done. A discussion followed in an effort to determine where the Wedgewood portfolio will be transferred. Mr. T. Stevens said that he would not recommend that it be transferred to NCN Capital because they are the lowest performer. With that Mr. Joachimi agreed.

Vice-Chairman L. Hill questioned why that every two or three months we have a cash flow problem. The current policy of being fully invested and the fact that employer and employee contributions do not equal half the benefit payments required - seem to be the root cause. Mr. Hill commented that it seems we will have the same problem in the future unless we do something different. A decision was made not to have a lot of money in a cash situation because at the time the Committee made that decision, the market was returning a greater yield.

Mr. Joachimi suggested the Committee not set up anything special because it is something that constantly changes but to continue to look into the equity and fixed portfolios and take money requirements from the managers.

Mr. Perk commented that the rewrite of the Investment Policy has not been approved. Mr. Perk said \$9.6 million a month is needed to pay benefits and bills. Mr. Perk was expecting \$3.9 million from CTA (contributions) and with \$2.6 million in cash at Northern, we would still be \$3 million short in paying benefits.

Mr. Joachim said that his opinion was not to take it out of fixed income because the equity side has grown substantially. The Committee said take it out of the smaller cap managers, the more aggressive managers, which was done.

Chairman Thomas asked Mr. Joachimi for suggestions relative to our immediate cash needs. Mr. Joachimi suggested that, after the Plan assets have been moved to Northern, we determine what cash is available in manager accounts.

The Executive Director suggested that the Wedgewood portfolio be transferred to Amalgamated Trust and Savings Bank and that their sub-advisor sell off investments in an amount equal to our money needs. Weiss, Peck & Green continue to show good performance. They have \$3.7 million in cash. If cash was taken from them, it could be replaced at a subsequent date.

Vice-Chairman Hill agreed that the Wedgewood account should be moved to

Amalgamated, that the sub-advisor would sell off some of the portfolio and generate sufficient cash to meet our benefit payment needs. Further, Mr. Hill said that it is his understanding the Committee is looking for \$15 million right now out of the Wedgewood account to get the Pension Office through the next three months.

Mr. Joachimi will provide the Committee with information on managers, and the Committee will review that information and determine what managers should come in for interviews with an effort to get the allocation mix back somewhere close to 65/35.

Mr. Stevens made a recommendation, seconded by Mr. Buetow to move the Wedgewood account to Amalgamated. The Committee unanimously approved this recommendation.

Mr. Collins informed the Committee that three groups will make presentations at the August meeting. They are RXR, Piper Capital and Great Lakes Advisors.

On a motion by Mr. Collins, seconded by Mr. Brown, 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 reported on the following items:

There were bids out on the demolition of 191 Wacker Drive. National Wrecking Company had the lowest bid which was \$1,448,000. Speedway Wrecking Company bid \$1,856,000 and Brandenburg Industrial Service Company put in a bid of over \$2,000,000. There was a recommendation from the Plan Attorney that we should consider the National Wrecking Company bid, and that we make a decision on this at this meeting.

On a motion by Mr. Brown, seconded by Mr. Collins, a recommendation was made that the Committee accept the bid of National Wreck Company. The Committee unanimously approved this.

Mr. Robert Apodaca of Kennedy Associates, Inc. presented the quarterly report.

First, He gave an update on Multi-Employer property Trust and stated that for the 5 years the CTA has been invested it has been one of the top performing investments in real estate. CTA invested \$10 million and it is now worth \$12 million.

Mr. Apodaca said the Plan could get money back on a quarterly basis. It requires the Board to put in a formal request.

Mr. Apodaca discussed the Dallas investment. As of the end of the first quarter, the Plan has received \$1.5 million. They are 97.8% leased. They are getting ready to appraise the properties as was stipulated at the time they were bought they should

be appraised every 3 years. He discussed the various leased properties and the renewal of various leases.

Kennedy Associates are planning to sell 1 million square feet of the portfolio. At the moment there is 1.7 million square feet so they are willing to sell off 1 million square feet. Their target price is between \$30-\$33. They plan to close this transaction by the end of 1996. By the August meeting he may have a proposal which will need the Committee's okay to sell off 1 million square feet. The recommendation that will be made when he returns seeking the Committee's approval to sell properties is to have the ability to reinvest the money. After hearing our cash flow problems, maybe there could be a sort of credit so that the other partners, Stanford, San Diego, and Alaska would want to work as a partnership group, and would like to have CTA included. San Diego County recommended that as long as Kennedy is making money for them they have the ability to reinvest.

Kevin Lynch of The Townsend Group brought the Committee up-to-date. The Plan's real estate portfolio is now around \$114,000,000. For 1, 3 and 5 year periods ending March 31, 1996, it has outperformed the Broad Real Estate Indexes for comparable pension funds across the United States. For example, the 1 year total return ending this first quarter was 11.4% for all of the real estate assets as compared to NCREIF is the National Counsel of Real Estate Fiduciaries which is all the real estate owned by other tax exempt institutions was 8.1%.

Metric is proposing disposition of one of its assets that will result in a disposition of approximately \$2.2 million to be distributed to CTA sometime during the 3rd or 4th quarter.

Lake County Industrial are currently on the marketplace. There has been an offer but it is currently below the net asset value. The offer was for \$8.5 to \$9 million. We are holding it firm at \$9.7 million.

Elk Grove - Lexington Homes made an offer today. The Committee rejected the offer outright. It might be an opportunity for CTA to joint venture with the developer if the Committee is willing to accept. CTA would contribute the land; let the developer build the apartment, sell it and take the proceeds from that. It may result in a higher sales price to CTA if it is done on a partnership basis versus an outright sale.

20 N. Michigan loan will be refinanced, which will be about \$8 million worth of proceeds on that transaction. Between now and June of 1997, the majority of all the RREEF separate account assets will be disposed of or sold. The only two that would remain at this time next year will be the Jeffery Manor retail site in South Chicago and the 191 N. Wacker site. Everything else is on the market to be sold or in the

case of 711 Jorie has an option to be sold in January of 1997 for approximately \$25 million.

Brian Rieger of RREEF - Mr. Collins questioned whether Ameritech is still a tenant at Jeffery Manor. They have ceased operation in that building but they are seeking a subtenant for the remainder of the lease.

Mr. Rieger was looking for approval to go forward on two fronts today. One was the 191 Wacker Drive. The other is the offer on the Elk Grove property. They have no bona fide offer for an office development.

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 h.

The following members were present: L. Brown, W. Buetow, J. Williams, Sr., I. Thomas, W. Black and T. Stevens.

Mr. Stevens asked about Item 6c. Ms. Bobbie D. Neita and why it was retroactive. Mr. Perk stated she was terminated, and did not know at the time of her dismissal that she would be qualified for retirement. Mr. Morris of 241 instructed the Pension Office to process this retirement retroactive to March 1, 1996.

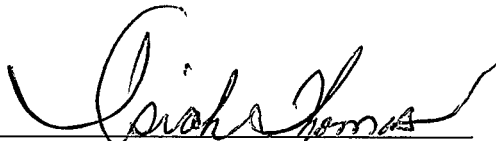
On a motion by Mr. Hill, seconded by Mr. Brown, the Committee unanimously approved the General Administration Subcommittee Report.

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 July, 1996, the performance for the total fund was .02%, and the value of the total assets of the Plan as of June 30, 1996, amounted to \$1,405,353.559.
10. The Committee moved to Executive Session at 10:40 A.M.

The Committee reconvened; there being no further business on a motion from Mr. Hill, seconded by Mr. Williams, the Committee unanimously agreed to adjourn at 11:15 A.M.



Executive Director
Retirement Allowance Committee



Chairman
Retirement Allowance Committee

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DATED: November 26, 1996