

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, NOV. 26, 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.

## AGENDA

### FOR THE 574<sup>th</sup> RETIREMENT MEETING OF NOVEMBER 26, 1996

1. Meeting will be called to order at 11:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 573<sup>rd</sup> Meeting held October 22, 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) Linda F. Bruce - #9230 - (disability) - request for retro-activity to 11-01-96.
    - (ii) Herbert Jones - #13414 - (disability) - request for retro-activity to 11-01-96.
    - (iii) Henrimae Lloyd - #13633 - (disability) - request for retro-activity to 11-01-96.
  - d) Presentation of Death Benefits for approval.
  - e) Presentation of Refunds of Contributions for approval.
  - f) Presentation of Bills and Remittances for approval.
  - g) Berc Panosyan - #23869 - Resigned and vested under Section 11 of the Plan.
  - h) Michael D. Stefanski - #01766 - Resigned and vested under Section 11 of the Plan.
  - i) Carmen G. Calderon - #D3172 - returned to duty - November 4, 1996.
7. Old Business: **RREEF**  
**THE TOWNSEND GROUP**
8. New Business: **PRESENTATION BY WEISS, PECK AND GREER**
9. Financial Report
10. Executive Session
11. Adjournment

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 574th Meeting of the Retirement Allowance Committee was held on Tuesday, November 26, 1996, at The Northern Trust Company, 50 South La Salle Street, 6th Floor Directors' Dining Room. The following were in attendance:

Mr. I. Thomas, Chairman  
Mr. J. Williams  
Mr. T. Collins

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

Mr. D. Perk, Executive Director, was in attendance. Mr. Morris sat in Ms. Black's stead. Mr. Lang sat in Mr. Holzman's stead. Alternates also present were R. Baughn, L. Murray and R. Schultz. W. Ross and A. Dungan of the Pension Office Staff were in attendance. Mr. R. Burke of Burke, Warren and MacKay was present. Messrs. Bill C. Gilmore and J. Henderson were also in attendance.

1. The Chairman called the meeting to order at 11:50 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. Some revisions were made to the Minutes of the 573rd Meeting. On page 1, under #4, paragraph 2, last line "months" was changed to *month's*. Also on page 1, last paragraph, line 8, "Council" was changed to *Counsel*. On page 2, under #5, second paragraph, "its" was changed to *is*.

On a motion by E. Hill, seconded by T. Collins, the Committee unanimously approved the Minutes.

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

Mr. Joachimi spoke about the Manager Watch List, which is comprised of managers within the existing group who either did not beat the index for a five year period or who have not beaten both peer group and index for five years.

Mr. Joachimi discussed the various managers now used by the Plan. He also discussed how Ariel's 5 year performance records have not been good. They have been with us 9.25 years but most importantly Ariel was the best manager for the year in their group. They should be given another chance. Mr. Joachimi recommended we keep Ariel. Mr. Thomas questioned this. Mr. Joachimi said Ariel

was called before the Committee a year ago, and they said they would make a change and their numbers show they have. Mr. Joachimi recommended we watch them very closely.

Mr. Joachimi recommended releasing 20th Century. They have been our manager for 12 years. He recommended replacing 20th Century with either Dreyfus, Stein Roe or Driehaus Capital Management. There was a discussion about these managers.

The next group discussed was the growth group Chicago Corp, GAMCO, Weiss, Peck and Greer, NCM Capital and Kenwood. They have all been with us 6-1/2 years. None of them for the 6-1/2 years beat the Index. The watch list has basically everyone on the list as being of some concern. Because of this Mr. Joachimi spent some time with The Chicago Corp. They along with Weiss, Peck and Greer have had better numbers the last year. The Chicago Corp. had a bad time of it two years ago and admitted it when they came in to see the Committee and said they would take some steps to correct the problem. Ms. Leonis asked how the merger would affect this. Mr. Joachimi said this is one thing that does not bother him. The merger is with a European firm. It should not affect what they do domestically. Mr. Joachimi is concerned because they were the best performer at one time. Mr. Joachimi wants to check into this further and report on it at the next meeting. The Committee was given a booklet showing different managers who have done well and have beaten all the existing managers in this group and could replace Chicago Corp. If we make that decision, an index fund could be a temporary place where money could be put to keep it working while a decision is made.

The Plan Attorney asked what should be done regarding the Committee's approval on the merger of Chicago Corp. Mr. Joachimi told him to go ahead with the approval but he wants the Committee to hold off until the first of the year on a whether to keep Chicago Corp.

Mr. Joachimi discussed the list of different growth equity managers that could be chosen.

In the growth and income group, where there is Oppenheimer and American National, Mr. Joachimi recommended that American National Bank be released. Again, an index fund could be used while the Committee is looking for a new manager. If the Committee wants to use an index, this would be where you would use it. He named some managers such as AmalgaTrust, Independence. N&B, Scudder who have beaten the index and someone should be chosen from this list. It is a very important part of the portfolio (Over \$100 million). He suggested another manager being hired for the growth and income group if the Committee wants to take their time deciding about American National Bank.

Mr. Joachimi then discussed the fixed income managers. The only manager that was of concern was NCM Capital Management because they have not beaten the index or their peer group. It is the only minority manager in the fixed income group. Mr. Joachimi had a list of managers to replace NCM. Mr. Hill asked if there was a list of minority managers. Mr. Joachimi said he would have to do a special study, and would also get a list of 3 or 4 managers including a minority. The list Mr. Joachimi gave the Committee of managers to consider was J. P. Morgan, Boatmen's, Loomis Sayles/Bos-Investment, Northern Trust and PIMCO.

Mr. Williams asked about Melvin Securities. Mr. Collins replied that the Investment Subcommittee had asked Mr. Joachimi to look at adding them to the list of brokers to be considered by the managers.

Mr. Joachimi again told them the position the Committee should take about brokers and the position his organization takes. When the subject of commissions comes up, that decision has to be left up to the money manager whether they use a certain broker or not. Every year a Commission Direction Letter is sent out according to Mr. Perk and it indicates the 4 or 5 properties that this Committee or Mr. Joachimi have determined the trades will be conducted through. A letter was written to all the managers regarding payment of the fee and telling them we have a list and *if you want to you can trade through*. Mr. Perk said this list is a recommendation from the Committee to the managers that a percentage of trades through one of the brokers.

There were numerous questions about who approved this list.

Mr. Joachimi explained in more detail about this and how more money comes back to CTA because of soft dollars.

Mr. Hill had numerous questions about this list and why we should not add names to this list. The Plan Attorney said it is up to the Committee to add or take off names as long as the same parameters are followed. Mr. Joachimi stated further that when his company receives more money than is needed to satisfy their fee, they write a check back to the Fund. It is necessary that this is squeaky clean.

A committee composed of S. Leonis and J. Williams, Sr. was formed to check into the brokers and the soft dollar list.

On a motion by Mr. Stevens, seconded by Mr. Buetow, the Committee unanimously approved removing American National as a manager in the growth and income area and placing the money in an index fund or where Mr. Joachimi feels is the best place. Secondly, in the aggressive growth area, we would drop 20th Century from the portfolio but not until Mr. Joachimi decides who the replacement manager is.

The Plan Attorney suggested the Investment Policy Statement should be reviewed by the Committee since Northern has taken over from Harris.

On a motion by Mr. Buetow, seconded by Mr. Williams, 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.

A presentation was made by Grant L. Berlin of The Townsend Group and Messrs. Jerry Egan, Brian Rieger and Pat Hackett of RREEF.

They discussed the approval of the sale of the Lake County Industrial Package,

711 Jorie Blvd. - The only tenant is McDonald's. RREEF recommended selling 711 Jorie at least by 1999. McDonald's would have the right of first refusal. Bringing the building to market will force McDonald's hand. There was a discussion about whether or not to sell the building. The Plan Attorney felt we should wait. Mr. Hill asked if someone offered \$25 million would RREEF accept it. Mr. Rieger said yes. Ms. Leonis said they would have to be prepared to sell if they are going to test the market. She agreed with Plan Counsel to hold on to it maybe for as little as six months.

The demolition of the property at 191 Wacker is 25% complete. Complete demolition is expected by the second quarter. At that time they will be interviewing parking lot operators.

20 North Michigan - the borrower refinanced and paid us back - \$8 million. Mr. Berlin suggested we invest the money in a CNL.

655 Remington, Schaumburg is listed for sale.

Mr. Stevens asked about Lake Industrial package and why we want to dispose of it. Mr. Rieger recommending marketing it a year ago. We did at the beginning of the year. The property is in a poor location in Waukegan; access is awkward. They started marketing the property in the first quarter. They sent out packages to the top 24 investors/buyers in the market, and have received no response whatsoever. They did a second marketing to smaller private investors. There was some interest in the property. In 6 months we lost two tenants and the vacancy is down around 90%. The offers received range from \$8.5 and one bid was \$9.275 and they feel this represents the highest offer. It was recommended we sell it at \$9.75 million and RREEF asked for a little flexibility in the negotiations in case something comes up.

Mr. Egan discussed two things their group is involved in; one was Reit America, which is a large private Reit, and they are involved with Pat Hackett's group in RREEF Venture Capital.

The Plan Attorney said the allocation for real estate is 10 to 15%. The total portfolio is \$1,500,000,000 that would indicate a total real estate investment of \$150 to \$250 million. Over the last few years there has been a transition in the portfolio with the sale of Country Lakes and the loan paid off for 20 N. Michigan. There has been a shrinkage in the portfolio whereas the total fund has grown.

Mr. Stevens made a motion to follow the recommendation of RREEF to sell the Lake County Industrial and to hold on to the 711 Jorie Blvd. This was seconded by Mr. Collins and unanimously approved by the Committee.

There was a discussion about RREEF America, which is very similar to USA Fund III. There is \$390 million in the fund now. They will open it up for two weeks in January. It will be closed at the end of January, and they expect to have \$500 million raised. It is an excellent portfolio of properties. There are 19 properties -- industrial properties, apartments and office buildings located all over the country.

Pat Hackett, who is in charge of RREEF Venture Capital, which is a higher yield investment vehicle in the real estate business spoke to the Committee about investing money in this fund. They are looking to invest in areas they understand which are office buildings, industrial, retail and apartments. They are also looking to buy things cheap and redevelop them, release them, restructure the ownership, restructure the debt and get returns of 15 to 20%. They have raised around \$105 million to date. It will be open until June, 1997 and is expected to close at somewhere around \$200 to \$300 million. RREEF will use 75% leverage in the fund.

Mr. Stevens asked if the Chairman would bring in Capital Associates (Country Lakes Apt. Building).

On a motion by Mr. Collins, seconded by Mr. 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.

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

Mr. Stevens requested approval of items a through i.

Mr. Perk reported on Mr. Thereon Weaver, whose services were terminated with CTA. Mr. Weaver filled out an application for refund on September 24 and it was received at the Pension Office on October 10 long before the cutoff date of November 15. It could not be processed in the Pension Office because a clearance

certificate was not received from CTA until November 19. Mr. Weaver is asking for approval from the Committee to process his refund of contributions which total about \$3100.00. It was agreed to add this to the agenda.

Mr. Stevens was concerned that there were different individuals who were very close to retirement who were terminated, and he wanted Mr. Perk or Mr. Forte to counsel these people because maybe they are giving up so much. Mr. Perk said usually CTA lets them retire if they have their 25 years or close to it. Mr. Perk commended Mr. Stevens on being charitable in worrying about these employees. Mr. Collins said that in most cases when you see a large withdrawal, it is a discharge and he and Mr. Leonard usually talk to individuals to see if they do qualify for retirement.

Mr. Stevens asked the Plan Attorney about the Larry Murphy case. Mr. Burke said everything was filed. Mr. Murphy is suing the Retirement Plan and the Authority on the bridging question. Mr. Burke said they are moved to have the case against the Retirement Plan dismissed.

Mr. Stevens asked about Rock Investigations. Mr. Perk said a preliminary report was received the previous week on the 9 disability retirees who the Committee authorized investigating. Mr. Perk said when he has a final report he will report it to the Committee. Mr. Perk brought up the fact that a Mr. Vaughn's checks are being held because he refuses to sign his questionnaire or take the questionnaire to his doctor to be signed. His checks are being held but that means also the money for one of his children is being held back. Mr. Stevens suggested that with Mr. Burke's approval releasing those checks.

Mr. Perk discussed a letter from Alderman Burke that was sent to the Plan Attorney regarding 191 N. Wacker. Alderman Burke told about different plaques in this building which have historically value. Alderman Burke would like possession of this material. Mr. Stevens said this material has been in the CTA Safe for 3 years. A subcommittee of T. Stevens, T. Collins, S. Leonis, L. Morris and W. Buetow was formed to look into this matter.

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

7. See Real Estate Subcommittee Report.
8. New Business: Presentation By Weiss, Peck and Greer

Weiss, Peck and Greer made a presentation. They were represented by Messrs. P. Greer, J. Kiley and G. Cogan.



Mr. Greer explained how they invest in only two fields: 1) computer/electronics and 2) life science business.

Mr. Cogan spoke about this new fund. They wanted the Committee to approve \$10 million in their new venture capital fund. Mr. Stevens asked what they are trying to raise. They are attempting to raise \$150 to \$160 million. The fund will close on December 16, 1996.

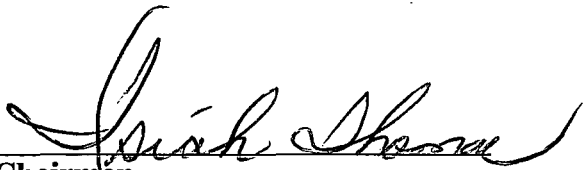
On a motion by Mr. Buetow, seconded by Mr. Williams, the Committee unanimously approved the Weiss, Peck & Greer proposal for a \$10 million involvement on a 4 year drawdown.

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 November, the performance for the total fund was 2.02%, and the value of the total assets of the Plan as of October 31, 1996, amounted to \$1,449,977.906.
10. Executive Session -- None
11. There being no further business, the Committee unanimously agreed to adjourn at 12:05 P.M.



Executive Director,  
Retirement Allowance Committee

Dated: December 19, 1996



Chairman,  
Retirement Allowance Committee

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