

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 575th Meeting of the Retirement Allowance Committee was held on Thursday, December 19, 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. E. Hill, Vice Chairman  
Mr. T. Stevens  
Mr. W. Buetow  
Ms. S. Leonis

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, L. Sanford and R. Schultz. J. Forte, 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, Charles Wesley, C. Spears and J. Guerrero. were also in attendance.

1. The Chairman called the meeting to order at 11:00 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 574th Meeting. On page 1, second paragraph, under "Mr. W. Buetow" add *Ms. S. Leonis*. On page 3, 3rd full paragraph, line 9, after "managers" add a period and delete "that a percentage of trades through one of the brokers.

On page 3, 5th paragraph, add after "list" *Mr. Thomas will be available if the committee needs his assistance.*

On Page 3, last paragraph, last line. change "Mr. Joachimi" to *the Committee*. On page 4, paragraph 6, change "RREEF" to *Townsend*. Also on page 4, paragraph 10, change "\$9.75 million" to *\$9.275*.

On page 6, paragraph 2, change "Mr. Leonard" to *Morris*.

On a motion by Mr. Stevens, seconded by Mr. Lang, the Committee unanimously approved the Minutes with the above changes.

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

Mr. Joachimi spoke about American National Bank and the Index Fund. American National Bank is one of the original Index Fund Managers. The Fund would save \$35,000 a year by putting the money in their Index Fund. Mr. Joachimi said the Committee agreed to fire American National Bank active management, and it was also agreed that in the interim we would change it to an Index Fund as a parking space until we can come up with some names for replacements. Northern Trust was asked to come up with what it would cost. American National Bank was also asked what it would cost to go with their Index Fund.

Mr. Joachimi said we can check the total cost and the management fee at different places and American National Bank is less. American National Bank is one of the original Index Fund managers. Mr. Joachimi has no problem with us leaving the money at American National because there is a saving of \$50,000 if we stay with American National instead of switching to Northern Trust plus every year there is a saving of approximately \$30,000 in fees. Mr. Collins had planned on bringing in Bankers Trust for the January meeting but if a decision is made to stay with American National, he will withdraw this request. Mr. Joachimi said on the management side Bankers Trust will be about the same and making the change to Bankers will be more expensive because obviously American National has the stocks. Mr. Buetow asked if we are sending a wrong message by liquidating a money manager for non-performance and we are leaving it in the same area of jurisdiction as money managers. The Plan Attorney answered legally they are two different funds but it is a judgement call by the Committee. Mr. Joachimi said it could be there for a very short term, and that in an Index Fund you can get in and out very rapidly, and you get the market exposure.

Mr. Perk brought up the fact that after receiving approximately \$3.1 or \$3.2 million from Mr. Buetow's offices, The Pension Office will still be short about \$3 million for the benefit payments. He felt if the Committee is going to make a decision on Indexing the American National Fund, he wanted instructions from the Board today as to where we will get that additional \$3 or \$4 million. A decision should be made today as the checks will be going on in a week's time.

On a motion made by Mr. Buetow, seconded by Mr. Stevens, the Committee unanimously approved the recommendation of our consultant, Mr. N. Joachimi, to put money from American National's separately managed account to an American

## National Index Fund.

Mr. Joachimi then discussed Chicago Corp, who has the worst five year growth performance record. Also, the Committee will be looking at the aggressive growth area. He said there may be some potential candidates the Committee could look at. In that area there will have to be a replacement it cannot just be indexed.

Mr. Joachimi wanted the Committee to understand as far as being forceful, etc. the one thing he does not like to do is change managers. If someone makes a turnaround, he will state that it is worth looking into. A discussion ensued about Chicago Corp and other managers in that group. The whole group is not doing well but at this point he would not recommend Chicago Corp. Mr. Joachimi explained about the various charts that he gave the Committee. NCM and Kenwood now have a five year track record. This group of managers is average. The only one consistently below average is Chicago Corp. A 5 year record should be looked at Mr. Thomas said if we look at all of the money managers in the Aggressive Growth we should get rid of all of them but since we are not going to do this, he thought we should get rid of GAMCO and keep a watchful eye on Chicago Corp. Mr. Joachimi said the worst 5 year performer is Chicago Corp. GAMCO has grown and they are managing 3 or 4 times the money they were managing when they were first hired by the Committee. There are managers that do extremely well and that is what Mr. Joachimi is looking at. Mr. Joachimi said the only manager that has shown some sort of movement because they were called before the Committee is Weiss, Peck & Greer. They were the worst performer and their trend is now up. At the next meeting the fixed income managers will be discussed.

There was a long discussion about Chicago Corp. and GAMCO and whether or not Chicago Corp or GAMCO should be replaced. On a motion by Mr. Stevens, seconded by Mr. Williams, the Committee unanimously approved terminating GAMCO after a new manager is selected.

It was decided to have a special meeting to bring 4 prospective growth money managers and 3 aggressive growth managers in before the Committee.

Mr. Collins questioned who Mr. Joachimi had in mind to replace 20th Century. Mr. Joachimi said there are four money managers. Mr. Hill said he felt this should also be discussed at the special meeting in January.

Chairman Thomas brought up the question of NCM Capital and how their figures were not impressive. He felt there are many minority firms that are doing much better than NCM and what we need is performance. Mr. Joachimi said they are not doing well, and he will be covering the fixed income, which they are part of, at the next Retirement Meeting in January. Mr. Joachimi said there are not many minority firms that are doing well. For instance, in the group that the Committee

is planning to have at the next meeting, MacKay Shields is female owned firm and their numbers are very good. The Chairman said that performers are needed. Mr. Joachimi recommended the Committee speak to 4, but he withdrew Amerindo because they are strictly in technology and that is very volatile. The rest of the group are Dreyfus, Driehaus is local and they have done extremely well but also very volatile and Stein Roe, which is also another Chicago firm, is not so volatile and a very good firm. Mr. Joachimi recommended that on that same day they have the other 4 money managers, these three organizations would be invited. The Committee is saying what we need is performance for the Fund and that is a very healthy position to be in and it will bode well for the Fund long term.

On a motion by Mr. Stevens, seconded by Ms. Leonis, the Committee unanimously approved the Investment Subcommittee Report.

Mr. Collins said the Committee would scrutinize Chicago Corp very closely. A decision on this would be made in the very near future.

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

Plan Counsel gave a report on various properties.

Mr. Burke said that at the last meeting there was a move toward contract of sale of the Lake County Property. This is being worked out and hopefully a contract will be in place by December 27, 1996 which would call for the sale of the property. The issues that are being worked out are the assumption of the mortgage debt by the contract purchaser. Hopefully, there will be something in hand to recommend to the Committee by the January meeting.

Regarding the Lake/Wacker property. It is still being demolished. There was recently a real estate tax refund of approximately \$40,000 which was sent to the Pension Office.

The projects that are remaining for consideration by the Townsend Group and a report back to the Committee relate to proposals by RREEF on two of their commingled funds and possibly there will be a report from Townsend in January but no action is suggested at this time.

The Plan Attorney and Mr. Perk met with the other partners in the Meridian Investment and the budget which had been recommended by Townsend was approved by the other parties to the partnership agreement. There will be no major building at the site during the year unless RREEF comes back with a recommendation of the partners to do so. They continue to market the properties actively and there has been a return on Meridian during the last year.

Messrs. T. Rosenberg and T. McKay from Capital Associates made a presentation. They took over Country Lakes Apartment project a few years ago. At that time it was appraised at \$8.8 million and about a year after they took over it was appraised at over \$10 million and it was sold a year later for \$11.5 million. They spoke about the Plan investing in their new project - an apartment fund. They have raised about \$75 million and no more than \$250 million will be raised. They are buying already existing apartment buildings that have been rented up; there is no construction risk, and they are looking for high quality buildings in a diverse geographic location. They like to buy apartments because they are a relatively safe, sound investment. This is a limited partnership and it is targeted for a 10 year investment and that means in about 7 years after we are fully invested we start looking at disposing of the assets and returning the money to the investors.

The Plan Attorney brought up the fact that the investment guidelines calls for an investment of between 10 and 15% of the portfolio which is between \$150 and \$225 million. Mr. Williams, Sr. said this is definitely something we do want to consider and Townsend will be in for the next meeting so it will be discussed further.

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

Mr. Forte brought up the fact that 5 disabilities are shown on the material sent in the mail listing the new 1997 disability retirements but there are actually 6 disability retirements which was shown on the material given to the members at the meeting. Mr. Charles Miller had not received his 26 weeks in November when his application for disability came up. It has already been approved so now he is going in January.

There was a discussion about Valerie Gilmore who is on disability and wants a retro payment back to 6/1/95. The reason is she did not know about receiving retroactive disability payment until she was informed by Jackie Breckinridge.

Mr. Thomas asked why is she asking for retro to 6/1/95. She was injured on duty. She drew disability pension for awhile, and she is still off sick. Mr. Perk spoke to Dr. Realiza on December 18 and the CTA Medical found her fit to return to work. Ms. Gilmore was laid off back in the 1980's and brought back to work and subsequently was terminated and again brought back to work. She withdrew her

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contributions and never repaid them. She was in the office a few days before the meeting, and her file clearly indicates that she was sent three letters and told she had until a certain date to return the contributions she withdrew. The fourth piece of evidence in the file is a form letter agreeing that she understood the rules of the plan that she had to reimburse the fund within the 13 month period. In the file is the receipt she signed for the check that was issued in 1983. She now maintains she never received the check and is asking to reestablish her original seniority date going back 4 years. Mr. Perk and Mr. Forte reviewed the file in detail. Everything in the file clearly indicates she received the money and never replaced it. The Pension Office sent her three letters plus the documents she signed saying she understood the rules of the Plan as to what has to happen within 13 months.

Mr. Morris spoke to Ms. Gilmore, and she claims the signature on the check is not hers. Mr. Perk said he is not a handwriting expert but notwithstanding that, the Pension Office sent her three separate letters, and she signed the form stating she understood the plan document and that she must repay the withdrawal contributions within 13 months. Mr. Perk said she received a new seniority date because she did not repay the contributions. Also, Mr. Perk informed the Committee that she was on two periods of Workman's Compensation subsequent to her last period of Workman's Compensation. She is entitled to retroactive disability for that period up until the day Dr. Realiza found her fit to return to work.

Mr. Perk brought up the fact that on page 25 there was a misprint " Harris Trust and Savings Bank \$66,300 plus cash flow ". Cash flow is not the proper definition. It is the benefit payment fee to Harris for the second quarter of 1996. A question was asked by Mr. Steven if that was the last payment of 1996. There will be a small payment for July, 1996 according to Wayne Ross and Daniel R. Perk.

On a motion by Mr. Collins, seconded by Mr. Lang, 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 December, the performance for the total fund was +4.2%, and the value of the total assets of the Plan as of December 31, 1996, amount to \$1,510,752,216.
10. The Committee moved to Executive Session at 11:20 A.M.

10. The Committee moved to Executive Session at 11:20 A.M.
11. The Committee reconvened; there being no further business on a motion from Mr. Stevens, seconded by Mr. Hill, the Committee unanimously agreed to adjourn at 11:35 A.M.



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Executive Director,  
Retirement Allowance Committee

Dated: \_\_\_\_\_

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Chairman,  
Retirement Allowance Committee

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