AGENDA

FOR THE 588^{H} RETIREMENT MEETING OF JANUARY 27, 1997

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 587th Meeting held December 23 , 1997.

4. Investment Subcommittee report.

    a) Financial 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) Corrie L. Lewis - #9761 - request for retro-activity to 01-01-98.

    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. Executive Session

10. Adjournment

RETIREMENT PLAN FOR CTA EMPLOYEES
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RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, JANUARY 27, 1998, 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.

notice.mtg: January 12, 1998

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 588th Meeting of the Retirement Allowance Committee was held on Tuesday, January 27, 1998, at The Northern Trust Company, 50 South La Salle Street, 3rd Floor Northerner Room. The following were in attendance:

Mr. Dennis Anosike
Mr. L. Sanford
Mr. J. Kallianis
Ms. S. Leonis
Mr. M. Acosta
Mr. I. Thomas, Vice Chairman
Mr. T. Collins
Mr. J. Williams
Ms. W. Black

Mr. Baughn sat in Mr. Brown's stead. Alternates also present were L. Morris, B. Rayford, P. Beavers, R. Winston and P. Anderson. W. Ross and A. Dungan of the Pension Office Staff were in attendance. Ms. P. Newton of Northern Trust Company was present. Mr. T. Paravola of Burke, Warren, MacKay & Serritella was present. Messrs. J. Guerrero, C. Spears, J. Henderson, C. Wesley and B. C. Gilmore were also in attendance.

1. The Vice Chairman called the meeting to order at 12:00 P.M.

2. A roll call was taken which indicated that a quorum of Committee members was present.

3. On a motion by Mr. Baughn, seconded by Mr. Collins, the Committee approved the Minutes of the 587th Meeting.

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

   Mr. Joachimi introduced himself to the new members on the Committee.
   Mr. Joachimi gave the Committee a copy of the report showing who the Committee had been looking at in the aggressive growth area and also the growth area for equities. It was broken down in two ways: Chicago and Illinois managers for fixed income and another group of non-Chicago/non-Illinois managers for fixed income.

   Mr. Joachimi discussed the various managers that will be released: 20th Century

(Equity); NCM Capital (Growth); Bear Stearns Asset Management, NCM Capital Management and Weiss, Peck & Greer (Fixed). There is over $200 million in assets that are still being managed by these people. Mr. Joachimi proposed that a special meeting be set up in February prior to the Investment Subcommittee so that the Committee can look at some of the people so some decisions can be made on placing the money.

Mr. Thomas questioned the fact that he felt that at the November meeting the Committee had directed Mr. Joachimi to take the money away from these managers. The Committee, at that time, was concerned about where to put the money, and Mr. Thomas thought Mr. Joachimi had made a recommendation that to take the money and park it somewhere for example, Amalgamated Trust.

Mr. Joachimi explained what was said at the November meeting. He said there was a discussion about fixed income being moved over. The equity money is being kept working where it was. He has spoken to Chicago Trust and Amalgamated, and Chicago Trust gave a proposal. He spoke to L. Hill and he suggested waiting until the Committee meeting to decide what to do. Ms. Leonis said it was also her understanding at the November meeting that we were going to take the fixed dollars give it to the two highest performers, Amalgamated and Chicago Trust. Also, Mr. Joachimi was to make it understood it was temporary. Mr. Joachimi felt we should listen to the tapes because he did not want to feel that he had not followed the Committee's orders. On equity, Ms. Leonis felt the Committee had some decisions to make on what companies should be brought in. Mr.Joachimi understands how both companies would handle this.

Mr. Joachimi recommended on fixed income that we split the money between Chicago Trust and Amalgamated. What he does not like is that it is going to be managed on a shorter term basis, which means it will earn less. He would rather they manage the Pension Fund money with the idea that we are not going to take it away but we will give them some time to move the assets. Mr. Collins wanted to know if there were fees in taking that money away from one manager and giving it to another. Mr. Joachimi said there are some fees not like equity . Mr. Collins said is it to our advantage and would we receive a better return as opposed to hot money. Ms. Leonis said she wanted an explanation of hot money.

Mr. Joachimi said that this is money they do not want to put as long term because they know it is going to leave. Ms. Leonis said what would Mr. Joachimi prefer. He said he rather they manage the money as if they were managing the Plan meaning it would take a little longer time for us to move the assets.
Mr. Williams asked Mr. Joachimi if he is suggesting that we invest the money with the two remaining money managers that we have. Mr. Joachimi said that when we were going to move the funds we would give them a notice so this would be done after we decide who we want to replace them.

Mr. Joachimi was asked by Mr. Collins how long the directive given by the Committee would take to get in place. Mr. Joachimi said the assets could be switched very rapidly. He felt something could be done by the week of February 2nd.

On a motion by Ms. Leonis, seconded by Mr. Anosike, the Committee approved directing Mr. Joachimi to take the fixed income money from Bears, Stearns, NCM Capital Management and Weiss, Peck and Greer and split those assets equally (50% each) among Amalgamated Trust and Chicago Trust. For the records Mr. Thomas abstained from voting on this motion.

Mr. Joachimi wants to have on the agenda in February an agreement on who the Committee wants to talk to as replacements for these money managers.

Mr. Joachimi will have a list the Committee can look at for fixed income. He separated the numbers by Chicago and Illinois and is only showing managers that have beat the average for a 5 year period. Mr. Joachimi felt comfortable with this group. The Illinois/Chicago group had very good numbers. He said if the Committee is not comfortable just looking at Illinois and Chicago numbers to let him know because he would recommend some national managers.

Mr. Williams questioned Mr. Joachimi about minority managers being included on the list. Mr. Joachimi answered that the problem on the equity side is almost all the expertise is more on the value side which will be the next subject discussed. In the area of aggressive growth, the numbers are not there. The numbers are value added over a long period of time after expenses of 100 basis points which is 1% better than the average. In the fixed income area, there is somewhat the same problem but felt he could find a fixed income manager value added but not from Chicago. Mr. Thomas said the Committee is looking for good sound managers no matter where they are from.

Mr. Joachimi stated that his comfort level on the fixed income side with excellent numbers is a lot stronger in the Chicago area than his comfort level on the equity side. That is why he had said he would have no problem recommending Chicago managers. He plans to send a list of managers with the appropriate charts and numbers, etc. for the three areas - aggressive growth, growth on the equity side and fixed income. Fixed income - two of the managers that are being released are on in the longer term; one was in intermediate. Since both Amalgamated and Chicago Trust are in the intermediate arena, he suggested looking at a money manager who had longer term bonds. He would like to call in two from each of these groups at the special meeting. Then the Committee could make at least a preliminary decision on who they would want.

Montag & Caldwell is owned by Chicago Trust and their numbers are excellent according to Mr. Joachimi.

Mr. Joachimi said it is difficult when he receives numbers just before he leaves Boston. It is very difficult to come up with any type of performance.
Mr. Joachimi said it seems every quarter they are waiting for the numbers. There was a discussion with Ms. Newton of Northern regarding this and she explained the situation of the bank and Financial Controls. Ms. Newton said the bank could send out unaudited reports. They do that with quite a few consultants so Mr. Collins said they may give that a trial run.

Mr. Collins asked Mr. Joachimi if he knew of any group who advises on staffing, operations, etc. for the Pension Office. He suggested checking with Massachusetts Bay Transit Company. Their pension office is like CTA's. It is run separate and the boss has been in that position for at least 15 years.

Mr. Mike Shanley of Ernst & Young LLP made a presentation on soft dollars and how it affects the Plan and Wellesley. He gave out charts and information showing how Wellesley takes care of our money and the advantages and disadvantages of direct arrangement with brokers.

He used as an example $17,000 soft equals $10,000 hard. Every dollar of soft is 59 cents of hard. Mr. Shanley said the Plan is getting the benefit of using soft dollars with Wellesley. He discussed the Wellesley Soft Dollar Program which monitors the money managers, directed commission brokers.

Mr. Shanley after some discussion about the different brokers reminded the Committee that what is important here is best execution. The money manager should be able to get the best execution. What is ultimately the most important thing is that the Committee wants the best results for the Plan. The Committee does not want to force money managers to use certain brokers.

The Plan gets from Wellesley 1.7:1. For every $17,000 soft, the Plan gets $10,000 in the bank. There were many questions about soft dollars and the different brokers and money managers which were fielded by both Mr. Shanley and Mr. Joachimi.

Mr. Collins asked how can we add another broker. Mr. Shanley said these are the following ways we can handle this: 1) the Plan can run it on their own as they do with Lynch, Jones and Ryan; 2) or you could negotiate with Wellesley to put on another broker;

Financial Report - Mr. Ross then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that the performance for 1997 for the total fund was 22.68%, and the value of total assets of the Plan as of December 31, 1997 was $1,723,120,299. The Plan performance for 1996 was 16.53%, in 1995 it was 24.7%.

Ms. Leonis thanked Mr. Ross for all his help and the Committee agreed.

On a Motion by R. Baughn, seconded by S. Leonis with I. Thomas abstaining, the Committee unanimously approved giving 50% to Amalgamated and 50% to Chicago Trust.

On a Motion by T. Collins, seconded by R. Baughn, the Committee unanimously approved the Investment Subcommittee Report.

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

Mr. Grant Berlin of Townsend reported on the third quarter of 1997. The Real Estate Portfolio had a market value just under $95 million and the Real Estate Allocation is $150 million.

For the quarter, the performance of the portfolio has a total gross return of about 2% as compared to 2.9% NCREIF Index. The portfolio under-performed the Index and one of the main reasons for that is that the Plan has a lot of previous existing assets that are now starting to burn off for example, the RREEF Separate Account. RREEF is selling those assets. For the year, the portfolio has a total gross of 8.4% as compared to the Index which is 10.9%. During the third quarter, the CNL co-investment of which the Plan had a $15 million invested did fund in late September and we will start reporting on that next quarter. Additionally, for the RREEF Venture Capital of $10 million, there were no returns for the 4th quarter.

He discussed how the public Reits were one of the investments the Committee had talked about pursuing. They will help improve the diversification of the portfolio.

Mr. Berlin explained about the portfolio and what it is comprised of. The current allocation for real estate is $150 million . The current market value is $93.9 million leaving about $56.2 million to invest. $25 million was allocated to Capital Associates, $15 million to CNL and $10 million to RREEF Venture Capital. He discussed the disposition of 711 Jorie Blvd. - a contract for about $25 million and Townsend expects that to close in Feb. or March probably for a net sales proceeds of about $24 million. Mr. Berlin said there is a handshake deal on the Elk Grove investment for $3.8 million. The sale is contingent upon zoning. USA III, which is RREEF commingled fund - RREEF expects to liquidate the entire fund by the end of 1998 giving the Fund $8.4 million. There is roughly $42.7 million forecasted.

RREEF Meridian Business Campus sale was completed on a 7 acre parcel. A distribution of $300,00 was made to the Plan.

ACSS Dallas Co-Investment - Kennedy Associates sold the Avenue S Building to the Postal Service for $4.3 million. The Postal Service was the sole tenant of the building and exercised a purchase option. The Funds net proceeds from the sale will be approximately $625,000

MIAF II - the portfolio was appraised in the fourth quarter Heronfield Apartments in Kirkland, Washington will likely be marketed in the first quarter 1998.

Mr. Berlin told how RREEF was acquired by RoProperty Services, a Dutch management firm. RREEF's senior management will remain unchanged. Townsend has submitted a list of questions to RREEF concerning this merger and will continue to update the Committee. RREEF Venture Capital Fund closed in the 4th quarter with 13 investors and $221 million of capital. The Plan committed $10 million. Mr. Williams suggested RREEF's new management come before the Committee.

Capital Associates made their first investment of $15.1 in Las Vegas. The Plan's contribution was $4.1 million. This occurred in November, 1997.

Jeffrey Manor - there is interest by the City of Chicago in leasing the Ameritech space.

Mr. Berlin discussed about public REITS and how this would be a good investment for the Plan and that he would like to sit down with the Committee at one of the next meetings to discuss this subject.

On a motion by Ms. Leonis, seconded by Mr. Collins, the Committee unanimously approved the Real Estate Subcommittee Report.

6. Mr. T. Collins, Chairman of the General Administration Subcommittee, reported on the meeting held this date.

The Committee members, alternates and various representatives from the Pension Office and retirees introduced themselves to the new members of the Committee.

Mr. Collins requested approval of items 6a through f.

Mr. Ross reported there was no CTA bill in time for the cutoff. The remittances were unavailable he reported due to the fact that Ms. Muniz had an emergency in her family and Mr. Lewis was working on this and should be available in the next few days.

Mr. Collins questioned the Plan Attorney about Mr. Speaks who was on disability

retirement for 10 years and has returned to work and he wanted to know if he can retire under the incentive program based on when he returned to work.
Mr. Paravola said that Mr. Burke had been working on this. The question is how much credit would be given toward pension benefits for that 10 year period. The Plan has a provision that allows for credit of up to 3 years be provided for leave of absence. According to the Plan Attorney, 3 of that 10 years could be counted but not more than that because of continuous absence.

Mr. Collins also brought up the letter from the CTA Chairman's Office about engaging a firm (Financial Research and Advisory Committee also know as FRAC) to advise on staffing, operations and performance of the administrative offices of the Pension Plan. Mr. Thomas has asked that the Plan Attorney's Office send a letter informing the CTA Chairman's Office that certain requests have to come through the Retirement Allowance Committee. As a courtesy to the Chairman, it is suggested she write to the Retirement Allowance Committee requesting individuals look at the operation of that department in hope of finding more efficient ways of running it. Mr. Burke has been out of town and Mr. Thomas was not sure if the letter was written. He asked Mr. Paravola to check on this letter.

Mr. Williams directed the following question to Mr. Sanford regarding an employee who attempted to retire and came back to work but was told there were no positions available. Ms. Banks told him again just lately that she was again told there was no job available. Mr. Williams wanted Mr. Sanford to look into this. Mr. Sanford said she was processed to come back as a Customer Assistant a few months.
Mr. Williams said he spoke to her within the last two months and she was told there was no job. Mr. Sanford said he would speak to Personnel.

Mr. Ross asked if the one page summary with pension credit information should be sent out to all active employees. Last year this was not done because of the buyout and the buyout is still going on or should it be put on hold until after the buyout is completed. Mr. Collins felt it should be sent out because it is not just for employees who are retiring but employees who are anticipating retirement in the future.

Mr. Thomas brought up the fact that a letter was sent out to the second group of individuals who are eligible for the buyout that said they must sign up by Monday, March 2, 1998. The letter should have said Saturday, February 28, 1998, which is the date the contract states. Another letter and the material enclosed with the first package was to be sent out again to the eligible individuals and has not been. The Plan Attorney was asked to explain what had been done. Mr. Paravola said the documents were set up for Monday, March 2, 1998, because that is the first business day following the weekend, comparable to what is done when you file tax forms. That is what went out initially. Mr. Paravola said he had directions from Mr. Burke after the November meeting that the Committee had taken the position that the February 28th date, although falling on a Saturday, should be honored, and the Authority should keep open an office to accept the applications that would be submitted on that date. Subsequent to that, documents were redrafted and Mr. Paravola sent them over to T. Czech's Office. Mr. Sanford said he was told this is consistent with what was done on other buyout programs. If the date falls on a weekend, you have until the next business day to sign up. He also brought up the fact that some employees who fall into the second phase of program have already retired.

Mr. Williams felt that even though the Committee gave directions as to what should be done, someone has taken it upon themselves that, no matter what the Committee says we are going to do it the way we want to do it. Mr. Collins said they want everyone to be able to benefit from the early retirement incentive, and this is the first the Committee has heard that the process has been stalled. The Plan Attorney asked what was the exact request. Mr. Collins said the request was that the office be opened on Saturday, February 28 and that would be the last day. No applications would have been accepted on March 2.

Mr. Thomas felt that already we have sent mixed signals and we will not be able to contact everyone by that date, and we will have to stick to the March 2, 1998. There would be too many people claiming they never received the letter changing the date to February 28. Mr. Williams agreed that to send out correspondence at this time changing the date would be confusing. The problem he has is that a directive was given by this Committee and it was not followed. He, of course, does not want to cause a problem but this puts the members of the union at a disadvantage but he would like to know who made the decision.

Mr. Morris said he has been receiving mixed signals that this is a Chicago Transit Authority Retirement Plan. He explained how it was formed by Division 241, 308 and the Chicago Transit Authority and it is separate from the Authority. Directives from this Board are to be honored and if the requests are not honored someone should be held accountable.

Ms. Rayford said if someone would have been eligible to put in an application on March 2 and want to on March 4 can they be denied that if you allow someone on March 2 to have access to the incentive program when the contract states February 28. Mr. Paravola answered that the extension to March 2 is consistent with what was done with every government agency i.e., in filing tax returns. If the due date falls on a weekend, holidays there is always a carryover to the next business day.

Mr. Thomas felt it would be in the Committee's best interest and the people they represent to extend the date to March 2.

Mr. Paravola brought up the fact that documents were sent to Mr. Czech and Mr. Pollack at CTA regarding changing the date from March 2 to February 28. Mr. Collins said it is a question of protocol and how things should be done. If we are all on the same page as to what should be done by this Committee then this Committee will be able to continue to function as it has very successfully over many years. The directives that come from this Committee are from the management side and the union side as well. Therefore, the directives then represent both sides. Going forward these directive have to be carried out and if they are not carried out there must be an explanation.

Mr. Sanford stated the documents were sent to Mr. Czech and it was discussed within CTA and the response should be given to Mr. Burke's Office and then reported at the next meeting.

On a motion by Mr. Sanford, seconded by Mr. Collins, the Committee unanimously approved March 2, 1998 as the deadline for people eligible for the second buyout to sign for their pension.

Ms. Rayford would like to know why Chairman Jarrett feels the Pension Office needs to be evaluated. In the past, the General Administration Committee, if they needed any type of outside help for job evaluation study, etc. has ordered it. Mr. Collins said on this issue the Chairman or any other employee of CTA has the right to submit a letter suggesting anything to be reviewed by this Committee for whatever disposal that this Committee would so see fit. Mr. Morris agreed and said she is the Chairman of the CTA and has a right to appoint trustees. Mr. Anosike said she did submit that letter because of one of her responsibilities as Chairman of CTA is consistent with sound management principals for one to make suggestions. She felt the Fund can benefit from the FRAC organization and it will not cost the Fund anything.

Mr. Anosike stated that he felt the Chairman's letter was sent in the spirit of improving the function of the administrative offices of the Retirement Plan for CTA Employees.

Mr. Collins said the Committee needs to know something about this organization. There should be something provided so that each Committee member knows something about this organization and also we need to know if there are others out there who do this same type of work and to compare functions, etc. to arrive at what is best for this Plan. The suggestion should come from someone who is involved with this Plan. He said we have due process that we must follow in order to keep this Committee solvent. Mr. Williams agreed and said this is the way it should be handled.

Mr. Anosike stressed how this will be of no cost to the Plan. Mr. Collins said the

Committee wants some information because they have no idea what this group does. Ms. Anderson explained about FRAC which is a subsidiary of the Civic Committee of Chicago. They have done high quality work throughout the city and Mr. Anosike felt if the Committee has the opportunity to bring these resources at no cost it would be great. There was a discussion about this FRAC and whether it is needed or not and if they are bipartisan, etc.

Mr. Morris asked about how a person who is on disability retirement can retire on a normal old age retirement. He gets many calls about this. It is his understanding that a person cannot retire on an old age retirement unless they can come off of disability and are found fit to return to work a certain amount time. He understood someone has put in a request from the Chicago Housing Authority. This person has been on leave for 3 or 4 years and they want to return to CTA and retire from this Plan. They have to return to work for a time. This person said they have so much clout that they are going to retire. Mr. Collins provided a little more detail. This individual after 8 years of continuous service went on leave and has been on leave for either 3 or 4 years. We are hearing that this individual is going to attempt to get a disability pension because at the present time they would only have about 11 years of service. The question is whether this person can come back and at that point go on disability retirement.

The Plan Attorney said if someone is out on disability retirement, the individual cannot convert that disability retirement to an old age retirement. If you are out on disability, the only way you can change your circumstances under the Retirement Plan is you are fit to return to work, actually return to work, and you are then eligible to take an old age pension.

The circumstance according to the Plan Attorney that has been brought up has nothing to do with disability retirement. The person in issue is on leave of absence from the CTA for almost 3 years. She is working at the Chicago Housing Authority. To the Plan Attorney's knowledge no application has been submitted by her for any type of benefit from the Plan to date. His knowledge of the situation is limited to Mr. Forte calling the Plan Attorney to confirm his view which he had conveyed to her, that in order to retire under the Retirement Plan she would have to be working for the CTA at the time making application to retire, and she would have to be working at the CTA through the effective date of her retirement. To his knowledge, she has not yet submitted any application for retirement. She has made inquiries at the Pension Office.

Mr. Baughn stated he had never heard of a leave of absence for 3 years. The employees in the field, when they apply for a leave of absence, usually get up to 90 days and they better have a very good reason. He said we are speaking of a person who applied for a leave of absence, was granted, and then rotated over to another city job with the Chicago Housing Authority. Mr. Paravola said all he knows is someone can be on an authorized leave of absence and if they come back to work, they can receive credit for up to 3 years of time while they were on that leave of absence for pension purposes. Mr. Williams asked if a leave of absence can only be 3 years. The Plan Attorney said no, you can have longer than 3 years but a person can only receive up to 3 years of credit for the time you are gone.

The Plan Attorney further stated the deadline for submitting the retirement application is the 14th of the month to retire as of the first day of the following month. In order to apply for retirement, you must be an active employee of the CTA sometime before the 14th of the month and the person has to continue working that month.

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

7. Old Business - None.

8. New Business - On a motion by L. Sanford, seconded by J. Kallianis, Mr. Anosike's name was placed in nomination to replace L. Hill, who retired, as Chairman of the Retirement Allowance Committee. Mr. Williams felt there were so many issues to address before we start filling key committee spots. He felt it should be held up until next meeting.

9. Executive Session - The Committee adjourned to an Executive Session at 12:10 P.M.

10. Adjournment - The Committee reconvened after the Executive Session and adjourned at 12:40 P.M.

James Forte

JAMES FORTE

Chairman,
Retirement Allowance Committee

Dated: 2/24/98

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