AGENDA

FOR THE 589TH RETIREMENT MEETING OF FEBRUARY 24, 1998

1. Meeting will be called to order at 11:30 A.M., Northern Trust Company, 50 SouthLaSalle Street, Directors Dining Room - 6th Floor.

2. Roll call.

3. Approval of the Minutes of the 588th Meeting held January 27 , 1998.

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) Thomas M. Shanahan - #35668 - (disability) - request for retro-activity to 11-01-97.

      (ii) John W. Hawkins - #6405 - Request for use of 1984, 1985, 1995 & 1997 earnings in pension calculation.

   d) Presentation of Death Benefits for approval.

   e) Presentation of Refunds of Contributions for approval.

   f) Presentation of Bills and Remittances for approval.

   g) Helen E. Banks - #D3178 - returned to duty - 02/04/98.

   h) Dorothy K. Leverson - D3190 - returned to duty - 02/02/98.

   i) Oliver W. Watson - D3143 - returned to duty - 02/19/98.

7. Old Business

8. New Business

9. Executive Session

10. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 589th Meeting of the Retirement Allowance Committee was held on Tuesday, February 25, 1998, at The Northern Trust Company, 50 South La Salle Street, 6th Floor Directors' Dining Room. The following were in attendance:

Mr. D. Anosike, Chairman
Mr. J. Kallianis
Mr. L. Sanford
Mr. M. Acosta
Ms. S. Leonis
Mr. J. Williams
Mr. T. Collins
Ms. W. Black

Mr. L. Morris sat in Mr. Thomas' stead. Mr. M. Caffrey sat in Mr. Brown's stead. Alternates also present were B. Rayford, P. Beavers, R. Winston and L. Fuller. J. Forte, W. Ross and A. Dungan of the Pension Office Staff were in attendance. Ms. P. Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren, MacKay & Serritella was present. Messrs. J. Guerrero, C. Spears, J. Henderson and C. Wesley were also in attendance.

1. The Chairman called the meeting to order at 11:00 A.M.

   The Chairman appointed John Kallianis Chairman of the Investment Subcommittee, The following were appointed by the Chairman to fill two vacancies on the Real Estate Subcommittee:

   L. Sanford
   M. Acosta

   The Chairman appointed M. Acosta as Chairman of the Real Estate Committee. He also appointed L. Sanford to fill a vacancy on the Investment Subcommittee.

   The Chairman appointed the following for the General Administration Subcommittee:

   L. Sanford, Vice Chairman
   J. Kallianis

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

3. On a motion by Mr. Collins, seconded by Mr. Sanford, the Committee approved the Minutes of the 588th Meeting.

On a motion by Mr. Kallianis, seconded by Mr. Collins, the Committee approved the Minutes of the Special Meeting of February 2, 1998 after a lengthy discussion.

4. Mr. John Kallianis, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Kallianis discussed the agenda for the subcommittee:

1. The Investment Policy

2. Fixed Income Manager changes.

3. Equity Income Manager changes.

Mr. Joachimi discussed how the Policy Statement has been revised by himself and Mr Burke. The Policy Statement is complete and has been updated regarding bonds and investment grades.. The only thing that has not been done is that the members have not signed it. This should be signed with one typing change that he will discuss with Mr. Burke. Mr. Joachimi said the actuary now feels we are underfunded and this might dictate a more aggressive stance rather than a more conservative stance. Mr. Joachimi and the Plan Attorney will have a special meeting with the actuaries.

Mr. Collins asked how different are the expectations for the Fund based upon the actuary's visit with us a few months ago. Mr. Joachimi felt it appears we may have to be more aggressive then less aggressive. Rather than going to less equities, we may have to go to more equities. Mr. Joachimi and Mr. Burke would be working with the actuary because he would like to see all of their numbers. They want to look at what the proper asset allocation should be. They can accomplish this by diversifying the portfolio a little more than it is right now. The international equities could be increased. International equities do not go up and down the way U.S. equities do. There could be some changes in the asset listings and asset target but he still felt the Policy Statement should be signed by the Committee. The targets can always be changed after they meet with the actuary.

Mr. Kallianis asked Mr. Joachimi to send each committee member a copy of the Policy Statement

Mr. Joachimi envisioned a change based on what we heard in that meeting. We went from 70% target in equities to 65%. It was based on what was said in the meeting with the actuary. He felt it will be going back to 70% exposure in equities because of what was said at that time.

Mr. Joachimi then discussed that the Committee voted at the last meeting to move money from three fixed income managers, who the Committee agreed to release, and park half of the money with Amalgamated and half with Chicago Trust. The day after the meeting the portfolios in kind were transferred directly to Amalgamated and Chicago Trust. NCM's account was to go to Amalgamated; Weiss, Peck & Greer's account was to go to Chicago Trust and Bears Stearns account was to be split half and half. It has taken a month and Ms. Newton said the transfer would be completed most likely this date (February 24, 1998).

Mr. Collins wanted to know the amount that went to Amalgamated and Chicago Trust. Mr. Joachimi said it was approximately $50 million to each.

Mr. Joachimi stressed that the Committee would be looking at another fixed income manager so that he felt everyone should agree that this money is temporary money at Amalgamated and Chicago Trust. These investment managers have been told this and they will manage the money just like they are managing our other funds currently, and that they could lose it when other managers are in place.

Mr. Joachimi discussed how the Committee had voted to replace 20th Century and NCM Capital Management. The money is staying there and working until the Committee is ready with replacement managers. Mr. Joachimi said until we know where we are going to replace the money, 20th Century and NCM should continue to manage the money. The amount of money they are managing is approximately $126 million. When a decision is made on replacement managers, the portfolios will be offered as they are to the new manager and let them choose what they want to keep and liquidate only what they do not want in their portfolio

Mr. Joachimi spoke about the review they went through a year ago and some of the names he said would be presented again for their consideration as potential replacements. In this case, he has looked at managers throughout the country and will have good representation of performers.

Mr. Williams questioned whether Mr. Joachimi was looking for minority managers. He said he is. The biggest problem in the aggressive growth and growth group is the desire that they perform at 100 to 150 basis points above the index. This has ruled out minority firms in the aggressive growth. In the core area and value area, we can look at some good minority managers. That comes after the aggressive growth and growth groups are finished.

He felt there should be a meeting the Monday afternoon before the Retirement Allowance Committee and accomplish what they are trying to if everyone would be available. Mr. Kallianis asked if Mr. Joachimi could prepare a list and get it out to the members in the next few days. Ms. Leonis hoped there would be new managers not the same ones as had been considered in the past. Mr. Collins agreed but did not want to send Mr. Joachimi on a witch hunt. He felt there are individuals out there if you look at performance and these individuals have outperformed the index. He felt that was a very good way to start. Mr. Collins reiterated that consistent, good performance for long periods of time is what we are looking for.

Mr. Joachimi said the last time around they showed numbers for 10 years but zeroed in on 5 years as a minimum requirement. It has not been an easy 5 year period. The list will not be long but it will state who they are, what their size is, what their performance is for 1, 3 and 10 years if they have it and what type of manager they are. There is nothing guaranteed. At least you will find managers who during a difficult period of time, have performed.

Kenwood is being switched from emerging manager. Ms. Newton said it was approved. The process will be ongoing.

Mr. Joachimi will put together a summary of the aggressive growth area, the higher cap growth area. In fixed income area, Mr. Joachimi would like to move forward. In this case, Mr. Joachimi said at the last meeting he felt perfectly happy with Chicago only but Mr. Thomas made a strong statement that he was not comfortable with Chicago only on the fixed income so, therefore, Mr. Joachimi will broaden the base.

Mr. Williams asked about emerging managers and whether Mr. Joachimi is looking for one. Mr. Joachimi has not found anyone who meets that requirement for aggressive growth and quality growth. Mr. Joachimi requested the Committee to give him any names of managers they know of and he will review the matter.

Mr. Joachimi reiterated that in the growth and aggressive growth, he is looking for managers with $20 million with a 5 year record.

Mr. Sanford brought up the fact that in one of the special meetings about a year ago the Committee hired a manager who we did not give any money to. Mr. Joachimi said there were three managers, Mentor, Piper Capital and RXR. Two were hired. $25 million was put with Mentor and $25 million with Piper Capital. RXR is in limbo. There were questions brought up about RXR at the November meeting regarding derivatives.

Mr. Kallianis spoke about having a special meeting about managers on both fixed and equity side. Mr. Joachimi will send a list for the Committee to look over. Mr. Kallianis said they want a special meeting prior to the next meeting.

Mr. Collins stated with the Plan more or less in transition, what were Mr.Joachimi's thoughts on indexing portions of the Plan. He said there are only about 30% that beat the index and it is very difficult to find managers that can beat the index.

Would it be feasible at this time to actually indexing a portion of the fund.
Mr. Joachimi thought it be feasible at this time to explore for one area the core area, the other being the growth and income area. Mr. Joachimi said when they finish with what they are working on now that would be the very next group to take a look at.

The Plan Attorney told how the Committee has been approached for approval of the following:

Change of ownership of Mentor. This would require a report by Mr. Joachimi if he sees any significant change in the policy, personal, etc. of Mentor. Then the Committee would have to make a motion nominating Mentor to Northern Trust who then would go through the process of approving of that transaction. This same approval applies to ABN AMRO. There are two other with regard to amendments in the partnership agreement -- Ark and Weiss, Peck and Greer. That would again call for a report by Mr. Joachimi. Then if the Committee saw fit a motion by the Committee recommending the requested approvals and then Northern Trust would do its due diligence.

Mr. Joachimi will put his recommendations in writing. He said Mentor was purchased by First Union Bank, a holding company. There is no problem with this change of ownership. All the people are staying in place.

Weiss, Peck and Greer need a consent for admission of limited partners.
Mr. Joachimi has a little problem with this. Adding an extra partner means there are more individuals sharing the earnings. He said he has already raised that question to Weiss, Peck and Greer. There has been no explanation as of this date. Weiss did admit it would delude the Fund's holdings.

Mr. Joachimi will send a letter regarding Mentor, Weiss Peck and Greer and ABN AMRO, and Ark so it can be voted on at next month's meeting.

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 past month's performance for the total fund was .43 %, and the value of the total assets of the Plan as of January 31, 1998, amounted to $1,724,397,198.

On a motion by Mr. Collins, seconded by Mr. Williams, the Committee unanimously approved the Investment Subcommittee Report.

5. Mr. Marcel Acosta, Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

There were four things to be discussed at this meeting.

1. Request by the Committee to review Capital Associates.

2. Pending merger of RREEF.

3. Discussion of potential sale of property at Lake and Wacker by RREEF.

4. Discussion on the need to have a meeting re real estate investments with Kevin Lynch before the next meeting.

Mr. Terry McKay, a principal advisor from Capital Associates, spoke about their acquisition activity in a partnership in which the Plan is an investor. The partnership only made one acquisition in the fourth quarter. Also, there was one acquisition made in January, 1998. He gave out copies of the quarterly report. He spoke about the investment object, the size of the Fund and the co-investors. The other investors besides The Retirement Plan are the Laborers & Retirement Board Employees' Annuity & Benefit Fund of Chicago, Municipal Employees' Annuity & Benefit Fund of Chicago, and Public School Teachers' Pension and Retirement Fund of Chicago.

Mr. McKay reminded the Committee that when they had met previously they had discussed investment core rental properties which are B and A- properties and they look for an overall return of 11 to 11-1/2%

He spoke about the acquired properties; the Pyramid Apartments in Las Vegas acquired in December, 1997 for a total acquisition cost of $15,180,000. The Pinnacle Ridge Apartments in Durham, North Carolina were acquired in January, 1998 for a total acquisition cost of $21,880,000. Mr. McKay also spoke about the purchase they are considering of the Hunter's Hill Apartments in Dallas, Texas. The Committee asked questions about buying property in the suburbs of Chicago.
Mr. McKay said they were attempting for quite awhile to buy property in the Chicago suburbs. Mr. McKay said they did sell some property in Naperville and there is a lot of interest in downtown Chicago but his opinion was that they are paying too dearly for the market in Chicago. He felt there were better values in other places

Mr. Jerry Egan of RREEF came before the Committee to discuss the pending merger of RREEF by RoProperty Services. He informed the Committee that RREEF was sold on January 17 to RoProperty Services. Mr. Egan said the important thing to note was that nothing changes with respect to our account. No one has left RREEF. The Policy Committee remains intact. Five year contracts have been signed with the parent company. He expect very little involvement with the parent company.

Mr. Lynch has met with members of RREEF and he believe there are no material changes. Mr. Lynch recommended approval by the Committee.

Mr. Brian Rieger of RREEF reported to the Committee on 711 Jorie Blvd. A contract was signed with T. A. Associates and if that is finalized $22 million will be returned to the Fund.

He reported on the USA III fund and it projected $6 million will be returned to the Fund this year.

There was a discuss about REIT's with Mr. Lynch. Mr. Collins saw it as a good opportunity to get into the REIT Market. It is simply a matter of getting started. The REIT rates have been great. Mr. Acosta said the Real Estate Subcommittee should get together with Kevin Lynch regarding REIT's.

Mr. Rieger spoke about the property at Lake and Wacker. He told the new Committee members the story about this property and how it is now a parking lot. RREEF have been marketing it for about a year. Two offers have been received lately. There had not been a legitimate offer until recently. One offer was from Hines for $9,409,100 and the other was from First Industrial Realty Trust for $9,500,000 (all stock). Mr. Rieger said he brought it up for discussion and they have not responded to either one. Ms. Leonis felt that obviously something is happening out there and that RREEF should go back and market it some more. Mr. Anosike wanted the Committee to know he has some stock with First Industrial Realty Trust and if there is a vote, he will abstain. There was a discussion about how much they can get for the land. The Committee will wait and see what other offers come in before making a decision.

The Elk Grove property is under contract for $3.8 million. The land is in Cook County and zoned for offices. The prospective new owner want to rezone this property for a hotel. If they are unsuccessful, we still will have the property.

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

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

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

Mr. Forte reported there are approximately 80 people from the first window left at CTA out of approximately 1561.

As of March 1, 1998, 1496 are retiring under the incentive plan.

Mr. Forte discussed how Thomas M. Shanahan was going on disability and requested retro-activity back to November 1, 1997. His 26 weeks were up in October, and he claimed he did not know he could go on disability. Ms. Leonis requested more detail and requested holding up approval of this.

Mr. John W. Hawkins retired January 1, 1998, and he did not write a letter asking to use his 1984 and 1985 earnings, which would have been high years. He thought the Pension Office would automatically do this. He made the request on February 20. The Plan Attorney felt if it is an oversight, he should be given credit. Mr. Forte said we do not automatically do it. The only way it is done if they put it in writing and request it. It was felt he should be given credit.

Ms. Helen Banks returned to duty on February 4 and retired March 1, 1998.

Mr. Sanford informed the Committee regarding the question raised by Mr. Williams at January's meeting regarding who decided to extend the time for signing for the buyout to March 2nd when it was clearly in the union contract as February 28. The Plan Attorney said the Committee in the Fall of 1997 discussed the effective day of the second window whether it would be February 28 or March 28. Mr. Burke wrote to the Authority that new letters should go out informing eligible employees of the February 28th date, and CTA needed to have someone at the Authority on February 28 to accept those applications. The only contact he had was with Duncan Harris who called the Plan Attorney and asked how this was coming about. Mr. Harris said we would normally make the date the first business day after a weekend, and Mr. Burke said he understood but that is the Committee's wish. The Committee then revisited the issue in January and decided to go with the March 2nd date. Mr. Harris never said he would not follow through but he was raising questions as to how they reached this decision which is contrary to prior precedent. The Plan Attorney's answer was that the Committee wanted to follow the Collective Bargaining Agreement.

Mr. Williams said in other words they still did not know who gave instructions to put March 2nd as the date. When the Committee gives a directive they expect it to be followed. Mr. Williams said in the future they hope they do not run into this again because when the Committee gives a directive they expect it to be followed. Mr. Sanford said all of the information that went out in July said the date of closing was March 2nd. The collective bargaining agreement is the one that said the 28th of February. Also, Mr. Sanford said the employee has 7 days to revoke and if that date fell on a weekend, it would be extended to the next business day.

Mr. Collins said that the main problem he has is that the Plan Attorney corresponded with CTA, and received no response. If a directive comes from the Committee especially by the Plan Attorney, we feel there should be a response.

Mr. Williams asked the Plan Attorney to find out who was responsible for this. Mr. Anosike felt it should be let go and hopefully it will not happen again when the Committee requests an order be carried out. Mr. Collins said "hopefully" is a large word and the Committee needs to take steps to insure this does not happen again.

Mr. Morris asked the Plan Attorney the status of the Larry Murphy case. It is not resolved. The Plan Attorney explained to the new members of the Committee how the case involved Mr. Murphy suing the Retirement Plan and the Authority on the basis of an attempt to bridge on the basis of his prior CTA service. Mr. Burke said they have argued that the bridging service only relates to the Supplemental Plan and the Judge does not seem to understand that, and he will have to go back and reargue that. They told the Judge this is two separate and distinct pension plans but the Judge feels it is one. Mr. Collins would like Mr. Murphy to pay the legal fees.

On a motion by Mr. Williams, seconded by Mr. Acosta, the Committee unanimously approved the General Administration Report with the exception of 6c(1) Thomas Shanahan which will be investigated per a request of Ms. Leonis.

7. Old Business - The Plan Attorney called the Committee's attention to an item discussed by him a few years ago that the Committee adopt a statement of fiduciary standards stating they are acting as fiduciaries and their responsibility is to the Plan. Mr. Burke encouraged the Committee to adopt it. Mr. Burke will distribute a copy and would like consideration and action on it at next month's meeting.

8. New Business - None

9. Executive Session - None

10. Adjournment - There being no further business, the Committee adjourned at 11:20 A.M.

James Forte

Chairman,
Retirement Allowance Committee

Dated: 4/28/98

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