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## AGENDA

FOR THE 592<sup>ND</sup> RETIREMENT MEETING OF MAY 26, 1998

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 591<sup>st</sup> Meeting held April 28, 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) Jessie B. Cavanero - #2764 - (disability) - request for retro-activity to 05-01-98.
  - d) Presentation of Death Benefits for approval.
  - e) Presentation of Refunds of Contributions for approval.
  - f) Presentation of Bills and Remittances for approval.
  - g) John Jones - #D2937 - returned to duty - 05/06/98.
7. Old Business
8. New Business
9. Executive Session
10. Adjournment

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 592nd Meeting of the Retirement Allowance Committee was held on Tuesday, May 26, 1998, at The Northern Trust Company, 50 South La Salle Street, Northerner Room on the 3rd Floor. The following were in attendance:

Mr. D. Anosike, Chairman  
Mr. L. Sanford  
Mr. M. Acosta  
Mr. J. Kallianis  
Ms. S. Leonis

Mr. I. Thomas, Vice Chairman  
Mr. J. Williams  
Mr. L. Brown

Mr. Washington sat in Ms. Black's stead. Mr. Baughn sat in Mr. Collins' stead. J. Forte, W. Ross and A. Dungan of the Pension Office Staff were in attendance. Alternates also present were M. Caffrey and B. Rayford. Ms. J. Tapalla 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. Also in attendance was Attorney James D. Holzhauser.

1. The Chairman called the meeting to order at 9:20 A.M.

The Chairman introduced Mr. James D. Holzhauser who has been appointed as the CTA's arbitrator.

2. A roll call was taken which indicated that a quorum of Committee members was present.
3. Mr. Thomas asked to defer the vote on the minutes and discuss them at an Executive Session.
4. Mr. John Kallianis, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Kallianis reported how on May 14 and 15, 1998, they met with 11 different investment managers:

4	Large Cap
2	Small Cap
5	Fixed

Mr. Kallianis said Mr. Collins and himself are close to making a decision. Mr. Collins is out of town so they will make their recommendations at the next 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 1.0%, and the value of the total assets of the Plan as of April 30, 1998, amounted to \$1,857,775,124.**

**Among the other highlights, Mr. Ross reported that the J. P. Morgan oil and gas program sale was completed and \$6.8 million was received. It has been transferred to Plan's account. They are holding approximately \$30 million to take care of final expenses and a lawsuit which is outstanding, and when that is concluded there will be a final distribution of that oil and gas program.**

**Mr. Ross said the reason for the rise in current month performance in the Weiss, Peck and Greer Venture Capital of 16% was because we received the proceeds for the sale of distributed shares of stock.**

**Ms. Newton was out of town so a report on the change of ownership with ABN AMRO, Delaware, Piper and Mentor and Kenwood's change in status will be discussed at June's meeting.**

**Mr. Thomas would like the new owners to come before the Committee.**

**On a motion by Mr. Sanford, seconded by Mr. Acosta, 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.**

**Mr. Acosta spoke about the special meeting held on May 11, 1998. He also discussed a special meeting to be held on June 16, at 8:30 A.M., with Townsend regarding real estate investments. The Committee will be informed when this meeting is confirmed.**

**On a motion by Mr. Acosta, seconded by Mr. Williams, the Committee unanimously approved the Strategic and Investment Plan.**

**Ms. Leonis discussed the contract for Townsend. Mr. Burke said it was renewed. Mr. Ross said Townsend brought in a three year contract and it was decided to extend the contract for one year at the same fee. Mr. Burke said he would check on this contract because Ms. Leonis had some question if the contract was month to month and had not been renewed.**

**Mr. Robert Apodaca of Kennedy Associates reviewed the investments. The Multi-Employer Property Trust, an open end fund, which started in 1982 with \$38 million and has now grown to a little over \$1.5 billion. He explained the strategy of the**

fund was is to invest in to-be-built properties. They are all built with union labor. It has significantly outperformed the benchmark. Real Estate, in their opinion, should produce monthly cash flow distribution back to the client. In the first quarter of 1998 there has been a return of 3.66%. They have built offices exclusively in the suburbs because many companies are moving there. In the first apartment they invested in was outside Chicago and that has just been sold because they were offered more than they thought it was worth. They have built other properties in Illinois and Michigan. They built one luxury apartment in New York and are completing a second one.

They have 65 fully funded properties and 27 under construction and have made commitments to another 25. He felt the fund is geared up to receive stronger returns in the next few years.

Mr. Apodaca spoke about A.C.S.S. Dallas Industrial, Inc. and explained that A.C.S.S. stands for the four investors Alaskan Permanent Fund, Chicago Transit Authority, Stanford Endowment and San Diego County. In 1993, the Plan invested approximately \$5.7 million in 15 industrial buildings in Dallas. It is a co-investment. When these buildings were purchased, Dallas was at the bottom of the market. They were purchased at approximately \$23.50 a square foot. Dallas has turned around. In 1995, they asked the investors to approve \$15 million more so they could build additional industrial space on a speculative basis. They built two properties in 1995 and have built two more properties. In 1997, Kennedy Associates assembled 10 industrial buildings with a little over a million square feet and sold them. The buyer of these properties had originally rejected investing in 1993. They thought \$23.50 a square was too expensive for Dallas and 4 years later they came up with \$30.00 a square foot.

In 1998, Kennedy sold one of the newer buildings. Of the original 10 buildings, 2 buildings were held aside because there were some initial environmental issues with soil. They expect to get the final approval next month, and Mr. Apodaca expects those buildings to sell for the same price \$30.40 a square foot, He discussed the sale and leasing of the buildings still owned by the investors. He said leasing is at 93 to 95%. The reason for this is two tenants have outgrown their current building and have moved into the new buildings. This is a temporary vacancy issue. The strategy in Dallas is to get the buildings fully leased, increase the rents as these leases rollover and position these remaining 10 buildings for sale in the next 24 months.

In terms of what it means to the Fund. CTA invested originally \$5.7 million and invested then another \$2.25 million for a total of \$8.1 million.

One of the buildings was sold to the Post Office. They first leased it with an option to buy. Within 6 months they exercised the option. We built it at a cost of \$25.00

per square foot and sold it at a cost of \$37.00 per square foot. This is part of their strategy. Their philosophy is why pay retail for building, why not build one or find some undervalued properties and sell them off.

Mr. Apodaca said they are putting together with the Plan's other partners a new partnership this summer called Niche Partners. The whole idea is once the Dallas properties are sold, the Plan would have a return of at least \$12 million and there are more opportunities. Mr. Apodaca would like to come before the Committee at that time and ask the Plan to invest a minimum of \$25 million in that group. There would be 10 partners in this fund. Alaska and San Diego have shown interest, and Stanford are ready to move. He told about what was done for Stanford. They refurbished a building and just after it was refurbished, Office Depot wanted the entire building and this happened in less than a year's time. Stanford had a huge profit. Kennedy would like to buy undervalued properties and reposition them and sell them to REITS.

The Plan Attorney informed the Committee that the contract has been signed for the Elk Grove property. They will try to get a zoning change.

The contract is out for the Lake Wacker property and is being purchased by Hines.

6. Mr. Louis Sanford, Vice-Chairman of the General Administration Subcommittee, reported on the meeting held this date.

Mr. Sanford requested approval of items 6a through g.

Mr. Forte reported that the monthly CTA bill was not received.

He said out of 70 retirements for June 1, 1998, 50 are in the incentive program.

Mr. Forte discussed how the Retirement Office is shorthanded, and that he put in a requisition to fill Ms. Huston's position. He followed the necessary channels and has heard nothing. Mr. Williams asked who would be handling this matter in the Mart. Mr. Sanford said Mr. Czech's Office. Mr. Forte said he sent the necessary paperwork to the Mart in November, 1997. He asked for the Committee's help in speeding up the process. Mr. Sanford said he would look into it.

Mr. Anosike asked if the 1997 audit had been completed yet. Mr. Ross said we are in the midst of the audit by Ernst & Young. Mr. Ross said he expected to receive a rough draft in the next few weeks. If any member would like to sit in on the closing meeting, they are welcome. If the Committee would like them to appear at a meeting, they will.

Mr. Burke had a discussion with Mr. Duncan Harris regarding CTA making

contributions for full time union officers. He informed Mr. Burke that the Authority is now prepared to make the appropriate contributions. Mr. Forte will provide Mr. Moore with a detailed statement. Mr. Thomas suggested to the Plan Attorney that two weeks should be enough time to proceed and if the Authority has not, he suggested the Plan Attorney proceed with whatever process is necessary to insure these funds are paid. Mr. Forte said he has some things he has to check out before he can give the information to Mr. Moore and he hopes he can have this completed by Wednesday.

On a motion by L. Brown, seconded by J. Williams, the Committee unanimously approved the General Administration Subcommittee Report.

A motion by Mr. Kallianis, seconded by Mr. Anosike, was made as follows:

"I move that, In accordance with Section 5.5 of the Retirement Plan for Chicago Transit Authority Employees, the duties of the Executive Director be defined as acting upon all routine matters in connection with the administration of the plan and keeping a record of the proceedings of the committee; that all other functions of the plan office be contracted out to a qualified, professional retirement plan management firm; and that the committee solicit competitive bids from such firms for the performance of those functions."

Mr. Thomas asked for an explanation, and he asked for a vote. The voting was as follows:

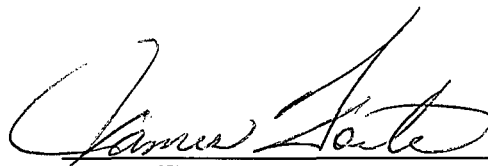
I. Thomas	No	Susan Leonis	No
Wanda Black	No	Louis Sanford	Yes
Tom Collins	No	Dennis Anosike	Yes
Loid Brown	No	Marcel Acosta	Yes
Jerry Williams	No	John Kallianis	Yes

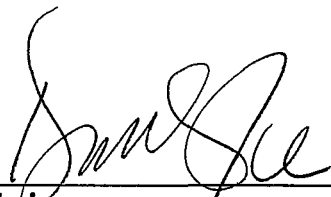
The motion did not pass.

Ms. Rayford discussed that one of the union members will have 25 years May, 1999. He signed up for the incentive program prior to February, 28, 1998. In September, 1997, he went on disability pension. He does have the ability to return to work as a Janitor prior to his having 25 years and prior to the expiration of the contract. He has been advised that because he went on disability pension, he is not able to avail himself of the incentive program. Ms. Rayford wanted clarification and found nothing in the contract that said he could not go. Mr. Thomas said once he has filed by February 28 for the incentive program, anything that happens subsequent to that is irrelevant. Once an individual puts those papers in, they are locked into the incentive program. He is definitely protected by the contract. She received correspondence from the Plan Attorney stating he could not retire. The Plan

Attorney said because there was nothing mentioned about him returning to work prior to his retirement.

7. Old Business - None
8. New Business - None.
9. Executive Session - The Committee moved to Executive Session at 9:35 A.M.
10. The Committee reconvened; there being no further business on a motion from Mr. Thomas, seconded by Mr. Brown, the Committee unanimously agreed to adjourn at 10:25 A.M.

  
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James Forte

  
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Chairman,  
Retirement Allowance Committee

Dated: 6/24/98

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