

AGENDA

For the 597th Retirement Allowance Committee Meeting of October 27, 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 596th Meeting held September 22, 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) Ralph M. Brown - #24393 - request for retro-activity to 10-01-98.
 - (ii) Evelyn Knightshead - #6453 - (disability) - request for retro-activity to 10-01-98.
 - (iii) Phyllis White - #1436 - (disability) - request for retro-activity to 10-01-98.
 - (iv) Diane M. Hymon - #7057 - (disability) - request for retro-activity to 07-01-98.
 - (v) James Turner - #60313 - (disability) - request for retro-activity to 10-01-98.
 - 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, OCT. 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.



RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 585th Meeting of the Retirement Allowance Committee was held on Tuesday, October 27, 1998, at the Northern Trust Company, 50 South La Salle Street, 6th Floor, the following were in attendance:

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

Mr. I. Thomas, Vice Chairman
Mr. T. Collins
Ms. W. Black
Mr. J. Williams

R. Baughn sat in L. Brown's stead. B. Rayford sat in J. Williams' stead when he left the meeting. P. Beavers sat in S. Leonis' stead. An alternate also present was L. Morris. 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. C. Wesley, C. Spears, J. Henderson, B. C. Gilmore and J. Guerrero were also in attendance.

1. The Chairman called the meeting to order at 12:10 P.M.
2. A roll call was taken which indicated that a quorum of Committee Members was present.
3. Revisions were made to the Minutes of the 596th Meeting.

On page, 3, after the first full paragraph, add -- Mr. Joachimi looks only at his data base but if a Committee member suggests any manager, he will put this name into his data base. --

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

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

Mr. Kallianis reported there was a presentation to be made by MDL Capital Management, a Fixed Income Manager, of Pittsburgh, Pa. Mr. Joachimi had asked

for names from the Committee of minority managers. Mr. Collins referred this group to the Committee.

Mr. Joachimi said they reviewed New Amsterdam Partners, which is an equity manager, and Advent Capital, which is a convertible securities firm.

Mr. Joachimi recommended that we explore giving MDL Capital at least some fixed income money. We have about \$100 million that we can give to existing managers as "hot money". He said the thought up front was that we would give some of that money to one of the Plan's existing managers to bring them up to that level so that we would have about \$75 million to invest, and we would consider MDL Capital for about \$25 of that \$75 million. He reiterated to the Committee that MDL Capital has been called to give a presentation because they deserve to be here. Their numbers are very good and they have an excellent staff.

Mr. Collins said Mr. Joachimi had been given the task of finding a minority manager. It was a difficult job but he did not just find a minority manager but one who met the Plan's standards.

MDL Capital was represented by Mark D. Lay, Chairman; Steve Sanders, President, and Dennis M. McCaskill, Jr.

Mr. Lay spoke about their credentials and their investment philosophy. They consider themselves an active manager. They have been in business for 6 years. They are a performance oriented firm and have never lost a client. They rank very high in this country of all fixed income money manager. Every client has given them more money. Mr. Sanders explained about their organization and how they have a succession plan and all of their senior managers have a non-compete contract for 7 years and this is the first year. The firm is 67% owned by the employees. They are right on target for their 1, 3, 5 and 10 year plan.

They look at all different fundamentals and make a general determination as to where interest rates are going. Mr. Lay explained all the different methods they use and how they research. Mr. Lay said the Plan would set the benchmark, and they would go after it.

Their portfolio are all AAA quality issues. Their funds are not invested in derivatives, futures or hedge funds. They will not buy a bond unless it is A rated or better. Mr. Burke asked how much they keep in cash. Mr. Lay said as little as possible, usually under 1%. 5% would be the maximum that they would allow themselves to keep in cash. Some clients allow them to go higher. A client hires them to manage money so they try and be fully invested at all times.

Next month Mr. Joachimi will discuss asset allocation as to where we are versus

what we passed in the Investment Policy. Also, next month we will discuss a third large fixed manager and whether we will give money to MDL

Mr. Burke gave a brief status report. Dreyfus and Janus, who were both recommended by the Committee to Northern Trust, have been approved by Northern Trust. Northern has approved the change of ownership of Mentor and RREEF. The only one that is currently open is the consent to Delaware of its new investment entity.

Ms. Rayford gave a report to each committee member to be reviewed by Mr. Joachimi.

On a motion by L. Sanford, seconded by Mr. Acosta, the Committee unanimously approved the Investment Subcommittee Report.

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

The three issues to be discussed are: 191 Wacker, sale of Meridian which will be discussed by RREEF and the investment strategy which will be discussed by Mr. Kevin Lynch, Townsend, included identifying potential investment managers.

Mr. Brian Rieger of RREEF discussed how Hines, who was the high bidder for 191 Wacker, has asked for an extension to February 15, 1999. They bid \$12.1 million. The next two high bidders are really out of the market. There is no backup buyer for this property. They have \$1.5 which they put it up as non-recourse money, and they are prepared to acknowledge that they will not contest that and they will transfer that money to the Plan. The purchase price will continue to escalate at 6% until closing which if it goes to February 15 will be \$12.5 million. They will pay an additional \$250,000 of non-refundable earnest money. Mr. Rieger recommended that this be extended. If this does not close in February, the Plan will be ahead another \$250,000. The city is in the process of rezoning properties which have been previously been granted variations or had projects approved which did not proceed. The result of the zoning on 191 Wacker is that we have a 28 to 1 coverage, and they are talking of reducing it to 20 to 22. It is one of those potential issues which may happen down the road.

RREEF and Mr. Lynch are recommending the Committee extend the contract to February 15.

On a motion by Mr. Collins, seconded by Mr. Sanford, the Committee unanimously approved extending the contract of Hines to February 15, 1999.

Mr. Rieger discussed how the Committee previously approved marketing Meridian

Business Campus. We have received two bidders on the asset. The high bid was Duke Realty, which is a real estate investment trust, at \$40.9 million. They are recommending a sale at that price. Mr. Lynch discussed how the real estate market changed in the last six months. The pricing of a lot of assets is moving downwards. What is happening is that if you have bids in, they are being re-negotiated or going back to market at much lower prices. Based on the fact that Duke is one of the real big investment trusts and is one of the few that has not had a major repricing of its stock. They are willing to assume the responsibility for all the raw land and the buildings. RREEF believes that the sale would allow the CTA Pension Plan to capture other opportunities in the market place or the other alternative is maintain a 7-1/2% return on Meridian and hold or take the proceeds and reinvest in transactions that are going to generate 11 to 13%. He recommended that we approve the sale of Meridian.

On a motion by Mr. Collins, seconded by Mr. Thomas, the Committee unanimously approved selling the property to Duke.

Mr. Rieger said the Elk Grove contract has expired, and they are going back to the market for that property. There is not significant interest in the sight.

Mr. Lynch discussed the CTA Strategic Plan for real estate. It was approved by the Committee and he discussed how we are redeploying assets. It was approved as 60% private core, which are operating assets, 20% public REIT's and 20% private non-core/value added transactions like the RREEF Venture Capital that the Committee went into last year. The reason for the value added component was that there are always institutional quality assets held by other pension funds the same size as CTA. They have an identifiable deficiency; they need some capital improvements, they need a new roof, etc. but in exchange for that there is a return of 13 or 17%. They will become core assets once they are fixed up. Jeffrey Manor would fall in that category if it had not been leased. They are traditional apartments, office/industrial/retail buildings. It is more attractive because of REIT's. The REIT's would be like going into the broad market a month ago. The REIT's have not come back to the extent the broad market has. There is a tremendous opportunity for growth and appreciation because of the price. He said he may not be able to make that statement 6 months from now because no one knows what the market will be like. If you want to take advantage and buy at these reduced prices, now would be appropriate. The other side of this is you also expose the portfolio to more volatility. Prices go up one day and they come down the next. It is much more dramatic when you buy public securities than when you buy a building because that does not change from lunch to dinner time to breakfast the next day like securities do.

Mr. Lynch said they would like to move forward and balance out the real estate portfolio. There would be \$102 million available to invest over the near term for the

Chicago Transit Authority for real estate. He discussed what the make up of CTA's Real Estate Portfolio is now and what it should be. There is \$67 million uncommitted.

Mr. Lynch discussed Jeffrey Manor and how it is in a distressed area and it is sort of an anchor within the area. If we move forward out of Jeffrey Manor, we should look at a emerging or minority owned management firm that we can redeploy real estate money into as an alternative to owning a building in that area. He suggested finding a minority manager in real estate that the money can be redeployed to.

Ms. Rayford asked how they decided the mix. Mr. Lynch said he would be happy to sit down and discuss it with her. He also said the vast majority of the Plan's assets are in Chicago. Most of that has now been eliminated. He suggested rather than buy buildings directly, there is a move toward a fund format. You are just one of a variety of investors. What Townsend would like would be to go through this process and present its findings to the Real Estate Subcommittee and the whole Committee and then when we agree on 4 or 6 managers or whatever that number is, schedule manager presentations and allow the Committee to select whatever number of managers.

Mr. Lynch said he could have it researched and brought to the Committee the week of November 16th with your approval and present it at a Board Meeting sometime in December or January. Mr. Acosta asked Mr. Lynch to also identify minority managers.

On a motion by Mr. Acosta, seconded by Mr. Sanford, the Committee unanimously approved Townsend bring a list of managers to a special meeting in November.

On a motion by Mr. Sanford, seconded by Mr. Kallianis, the Committee unanimously approved the Real Estate Subcommittee Report.

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

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

Mr. Forte reported on the retirements for the month. Out of the 19 retirements, 9 were under the Incentive Plan.

There was a long discussion regarding 3 part time union employees, namely, Robert Baughn, Howard Monroe and Anthony Jones who retired October 1, 1998.

Mr. Forte said at this time they have not been paid anything and there has to be a decision because they should receive a check before the end of the month. He spoke

about how at the last meeting the Committee spoke about the auditors reviewing this. Mr. Burke informed the Committee that on September 29, 1998, Mr. Ross, Mr. Forte and himself met with Ms. Eileen Winikates, Director of Employee Benefit Plan Services at Ernst and Young and asked her to prepare a report for the Committee in reference to these three individuals identifying their compensable earnings so the Committee would be in a position to pass upon it. She met with CTA individuals to get their records and spoke to Ms. Black and has not met with her as yet. Ms. Winikates told Mr. Burke last week that she has not met with Ms. Black as yet because Ms. Black had a few questions before she would meet with Eileen. Ms. Black said she would raise the questions at the meeting today. Mr. Burke said they do not have the report back from Ernst and Young. The Plan Attorney said these three individuals are entitled to some pension benefits and the questions is what is the amount of that pension benefit. The Committee has the records of CTA employment and the W-2 report from the union but the audit has not been concluded.

The arbitrator said they can use all of 1995. Mr. Forte suggested using 1995 and back for those union officials. Mr. Forte said Anthony Jones is a different situation. He did not make that much money. Mr. Kallianis said the Committee has to agree on some minimum payment for this month.

Mr. Morris said Mr. Jones is not a part time officer so his payment is not in line. Mr. Forte said his payment is in line if we go according to the arbitration agreement. He did make more than what he would have made as a Bus Operator without overtime and he would fall under that guideline that was gone over with the Plan Attorney and 308 members. That is why Mr. Forte had said we could use all of his time all the way up to 1997. Mr. Forte said Anthony Jones will only have a W-2 record. Mr. Sanford said if the only thing he has is a W-2 earnings from 241, then are you saying auditors would have no information to look at from 241 on whether that pay from 241 was pension eligible. Mr. Thomas answered that Mr. Czech said the only thing that can be looked at is the W-2 form. Mr. Jones was not required to do the same things as the average Board Members. Mr. Jones gave some documentation according to Mr. Thomas.

Ms. Black reported that after she received the letter, she called Ernst & Young and was told that they wanted records from 1990 through 1997. The arbitrator's award had said the board members would get pension compensation from 1991 through June, 1996. She felt the only records they request should be the records of July 1, 1996 forward if they were to use that year or year and a half into their pension calculation and what Ernst & Young was requesting was outside of the arbitration award. Ms. Black decided to bring this to the Committee because she felt that what was requested was outside of the arbitrator's award and to find out if the board had set aside the arbitrator's award.

The Plan Attorney reported that when he, James Forte and Wayne Ross met with Ms. Winikates he said the Committee has to look for the 4 high years. That is the direction we gave her. The letter he wrote to her spoke of the 4 high years based upon the compensation records that the Retirement Plan Office had. After the Plan Attorney spoke to her, a request was made to broaden the scope of the 4 high years. Mr. Collins asked who made the request. Mr. Burke said the Chairman of the Committee. The Plan Attorney thought the rationale for broadening the scope was that it was possible when looking at the 4 high years if there was not a verification for one of those 4 high years, that year for instance could drop out of the mix. Another year would have to be looked at. In broadening the inquiry, Ms. Winikates said it would take some extra time. Mr. Burke felt if there is not an agreement between the union and individuals involved here, we will have look at all these different years involved.

Ms. Black's understanding was that the W-2 substantiates the earnings, and she felt what she submitted was all that was necessary.

Mr. Morris made some comments about following the wage agreement and that it appears what the Committee is attempting to do at this time is change that Agreement. His question to the Plan Attorney was if the Agreement is changed, and a person is given less than what is in the Agreement, can that person sue me as a Trustee for this Plan. The Plan Attorney said if a person does not receive what they are eligible for, they have a claim against the Retirement Plan not the individual trustees. The trustees of the Plan have the fiduciary obligation to see that the proper pension is paid people for their earnings and years of service. What he told the people from Ernst and Young was to take the time frame (the four high years) and walk through basically what the compensation shows so you can report back to the Committee because he sensed what would happen is that they would have CTA time records, and the CTA time records are going to show that on a given date a certain individual worked from, for example, 9:00 A.M. to 3:00 P.M. The records will also show on the same day, the individual may have worked for the union part time from 4:00 P.M. to 10:00 P.M. The Plan Attorney said that is certainly possible. The challenge the Authority is raising is that they are concerned that the individual would say I got paid from 9:00 A.M. to 3:00 P.M. from the Authority but I also had some part time union time in there, and I want to be compensated for that. We told the auditor to go through and attempt to determine, hour by hour and day by day precisely what are these earnings these people are entitled to. The question from the Authority side is they do not want to have a double count of the time. They are looking for support records as to what was done on a certain given day.

Mr. Baughn spoke about the award and how CTA wanted an interpretation of the interpretation and that took 3 months and after that there was no movement so Mr. Baughn decided to represent himself. He wanted to find out exactly what the

CTA wanted. They told him what they wanted and his response was that the award stated that all of the records from 1995 were available to the CTA.

Mr. Baughn inquired why they were asking for records from 1995 and back. Duncan Harris after he received the records scrutinized them for one month looking at everything. He obviously did not know what he was looking at. Mr. Baughn explained that there are days when he started at 4:00 A.M. and represented people at 8:00 P.M. Mr. Harris thought it was 8:00 A.M. He misinterpreted A.M. and P.M. Mr. Baughn brought this to Mr. Czech's attention and Mr. Czech agreed with him. He was under the impression and the pension by-laws (Rule 14) that once you are released and once you get scrutinized and if there are any irregularities involved, that the only thing you have to bring to the Committee is the W-2 forms.

The Plan Attorney told Mr. Baughn that Mr. Harris is looking for verification beyond the W-2 forms that the individual worked a given hour on a given day because they feel that as fiduciaries they cannot treat as pension eligible earnings if an individual records shows a person worked from 8:00 A.M. to 3:30 P.M. for the Authority and the union record shows this person worked on union business from 10:00 A.M. to Noon that same day. The Authority is saying how it is possible to work for two employers at the same time. That is the issue the Authority has. The request the Plan Attorney, Mr. Forte and Mr. Ross made of Ernst and Young was that they should go through the records and come back to the Committee and tell the Committee day by day, hour by hour, where these people worked. If there are questions or conflict which Mr. Harris has suggested, the Committee is going to have to handle this. Where there is no conflict, those are pension eligible earnings. We are not looking to see what the person did. That is not the question. The Authority is saying we do not want to double count the time.

Plan Attorney suggested that Ms. Black give all the records she may have. Mr. Baughn said he gave Mr. Czech every piece of material from day one. There is no more. We have never been asked for records back to 1989. He was under the impression that it was all over and now he felt there is going to be another audit.

There was a discussion between Brenda Rayford and the Plan Attorney about Mr. Harris' request. She raised the question of fiduciary responsibility and what the CTA was requesting.

The Plan Attorney explained part time payments to union members are pension eligible. That is acceptable. The union won that arbitration but the questions which is being raised is about double pay. They are raising a fiduciary concern and Mr. Burke felt it was going to be in the minds of the people that we are going to have pass upon these pension amounts which are going to go to these people when you come to that point. Therefore, the purpose of the audit as the Plan Attorney sees it from last meeting -- get every verification you can and show what the time was spent and when it was spent. The Plan Attorney explained what he felt was CTA

reasoning and that no one is trying to take pension earnings away from anyone and that he has no idea what this audit will show. The Committee has to decide how they are going to handle this. There may or may not be conflict of records on a certain day, and the Committee will have to decide what they will give them.

Ms. Rayford discussed what was asked of the auditors by the Chairman of the Committee. She had a problem with this but the Plan Attorney said he was not involved in this and it was between the Chairman and the Auditors. She felt it should be done by joint effort - Union and Management. She wanted to know if the Chairman can initiate requests that go beyond the scope of an arbitration award without bringing it back to the Committee or the Co-Chairman.

Mr. Collins felt that her statements were well founded. The Committee gave specific instructions on how the audit was to be conducted. Now he said we hear those instructions have been expanded to include things that were not discussed is a reason to challenge the Chair and find out exactly why he moved in that direction. This is the second time the Chair has done some things without bringing it to the floor and quite possibly it is based on some inexperience which may be the reason behind the Chair stepping out on his own and doing things without coming to this Committee. He felt the Chair when he arrived should be questioned on what authority he felt he could expand what Ernst and Young was suppose to be involved with. Mr. Kallianis felt everyone should wait until Mr. Anosike arrives because we should give him the benefit of explaining.

Mr. Williams said he has watched the Board go in two different directions the last year. He sees an underlying reason for doing these things. He does not like what is going on and the Committee will have to do something. If there is a problem, let them retire with CTA records and W-2 forms. If there is a flaw or something wrong, you come back and make a correction but to hold up these people from retiring and punishing them for no reason other than one of two things, is ridiculous.

Mr. Morris wanted to know if one of the trustees or all of the trustees do not care about this contract, what action can be taken to remove them from the Committee. The Plan Attorney explained how the Trustees are appointed by the Union and the Chairman. You would have to request either the Union or Chairman whoever appointed them and request that someone else be put on the Committee. The next recourse would be that you would go to Court and ask the Court to take over the issue of who sits on the Board.

Mr. Thomas asked the Plan Attorney if CTA gives a date where does the fiduciary responsibility rest on the CTA or the pension fiduciaries as far as getting these individuals their money. Mr. Burke said the Committee makes that call by way of what a person receives by way of pension benefits. Mr. Thomas asked if an

individual wanted to use 1995, 1994 or whatever, does he have the right to choose the years. The Plan Attorney said the employee does not have the right to pick the year but you as fiduciaries picks the four highest years. Mr. Forte said an employee can request using time outside the 10 years if that is one of his highest years. The initial cut is made by the Pension Office.

Mr. Baughn asked Mr. Burke based on the Healy report Award, from 1995 on up it goes under calculation and percentage. He used himself as an example as 1996 and 1997 were his highest years. He did not feel 1996 and 1997, although they were his highest years, will generate him anything. He chose to use 1995 on back. Based on that, it appears he is going to lose in the neighborhood of \$300 to \$400 a month. Mr. Collins said what was negotiated was that the individual would have the right to pick the years he felt he wanted to base his pension on.

Mr. Williams asked Mr. Thomas a question about individuals getting their money. The Plan Attorney read the following: He read from Section 8.1.

"(10) As to an employee who first becomes entitled to a retirement allowance commencing on or after January 1, 1994, the retirement allowance shall be the amount determined accordance in accordance with paragraph two (2) above or the amount determined or the amount determined in accordance with the following formula, whichever is greater:"

He then discussed paragraph 2 of that same section which said:

1% of his annual rate of past service compensation for each full year of continuous service plus one 1-2/3% of employee's compensation for continuous service from and after the effective date provided however that 3/4 of his average annual compensation in the highest five completed plan years.

He felt the Plan Fiduciaries have to pay the employee based upon the 4 highest completed plan years. The Plan Attorney did not see any language that gives the employee the pick of years. The Pension Office makes the initial pick but they can request something out of the 10 year cycle.

Mr. Sanford does not believe anyone around this table who would be determining their pension benefits for the rest of their life would say they do not want to use a high year. Mr. Sanford said the Committee should not allow nor promote him to take a low year. Mr. Sanford said if it is outside the 10 years, they can petition the body. From the standpoint of what we had agreed to, we knew there was a problem and our fiduciary responsibility was simply to look at individuals who, from the standpoint of this Plan, had income from two different sources and

if we could determine how much of that pay is pension eligible. There is an arbitration award that goes past 1996 and what the Committee has said is take it away from 241 and 308 versus CTA and let the auditors go through based on the records they have and bring their findings back to this body. If it appeared there was double dipping and they were on the clock for both CTA and the union at the same time that information would come back to the Committee and we would make a decision on it. If it was not in dispute, there is nothing to make a decision on.

Mr. Williams said the Committee appointed the Plan Attorney and Mr. Forte to take care of this situation. Then we find out the Chairman asked the auditors to broaden the audit. This is where the problem is. If we are making decisions at the Committee Meeting and then we leave here and do something else, would the union have the right to tell the auditor to do something else. Are the auditors working for the Committee; are we paying the auditors and that is why he wants to see the cost for the auditors. If the Committee is paying the auditors, they should be doing what the Committee instructs them to do not what one individual tells them to do.

Ms. Rayford asked the Plan Attorney if the Chairman of the Committee has the right to go outside the realm of an Arbitration Award. Mr. Burke said the by-laws of this committee state:

"The Chairman of the Committee shall: (a) preside at all meetings of the Committee; (b) make appointments of Sub-Committee members; with the advice and consent of the Committee; (c) direct and coordinate the work of the Committee; and (d) perform such duties as the Committee may from time to time determine."

Mr. Burke further stated that in sub-paragraph (c) the Chairman has the right to direct and coordinate the work of the Committee. The Committee's work was to get an audit done on these functions. The Chairman has some leeway under the context to direct and coordinate that work.

Mr. Anosike told how the Committee asked that the auditors should determine the high four years. Because of the issues that have been brought to the Committee because of conflicts in some of those years, it may take 4, 5 or 6 years to determine the high years. He wanted them to take a further look at what will determine the highest years. What would have happened, the auditors would have come back and said this is not the highest 4 years and this would take more time. If this Committee wants the auditors to just look at those 4 years, they will come back and if there is conflict, we will throw that out, and they will go back and look again. What I did was simply follow the goal of the Committee. If I did something wrong, I apologize. I thought we were trying to determine the best 4 years so we can pay the individuals who are retiring. I do not feel that was outside the direction of this Committee.

Ms. Rayford said the arbitrator said it does have something to do with this Committee. Ms. Rayford said the arbitrator said use 1995 forward. Ms. Rayford said going back prior to 1995 is overstepping the Chairman's bounds with regard to the duties of a Chairman.

Mr. Anosike again apologized but he was implementing what he thought was the wishes of this Committee.

Mr. Collins said he has listened to different opinions and he wonders if we are being duped or have we been duped. Mr. Harris sent a letter last month and basically the letter was a repeat of the case CTA presented before Arbitrator Healy. While Mr. Healy listened to both sides, he chose a particular direction. We all know in 1995, CTA decided to stop paying contributions to the Plan. This was made very clear to the Arbitrator. CTA said that certain things were wrong with the records and that was made very clear to the Arbitrator. Of course, Mr. Healy was very selective in what he chose. I think the most important thing to point out is that the Arbitrator still chose W-2 earnings. The Arbitrator said that W-2 earnings are still the basis up until June of 1996. My problem is that CTA is asking us to do an audit when they themselves have already done an audit. They brought an auditor to an arbitration meeting last month. If they are asking us for an audit here, what is the reason behind it because they have already done one. Mr. Collins said he does not know if it was based on inexperience or expediency or our lack of paying attention to what happened last month. I bring everyone's attention to Rule 14. If we are suggesting that we deviate with what Rule 14 said, then we are not carrying out our fiduciary responsibility. If CTA has a problem with anything, they have a right to pursue it as best they may but what comes before this Committee are driven by the rules of this Committee, and the actions we take should be driven by the rules of this Committee. He frankly felt the Committee erred last month and based on the development that has gone on since last month, he was here today by any means necessary to reverse what we did last month. He asked Mr. Burke what he could do to right what he felt is a wrong so he can clear what he felt was an error from his view of his fiduciary standpoint. Mr. Burke said Mr. Collins could make a motion to discharge Ernst and Young.

Mr. Collins made a motion to discharge Ernst and Young from their duties. This was seconded by Ms. Black. There was a roll call of members as follows:

| | | | |
|--------------|----|-------------|-----------|
| D. Anosike | No | I. Thomas | Yes |
| P. Beavers | No | W. Black | Yes |
| L. Sanford | No | R. Baughn | abstained |
| M. Acosta | No | T. Collins | Yes |
| J. Kallianis | No | J. Williams | Yes |

Mr. Sanford told Mr. Collins he spoke very eloquently but we still have to

remember there are not a lot of employees in our Plan who have earnings from two sources. If there are earnings from that second source outside the CTA, it may or may not be pension eligible earnings because 241 can pay their officers and part time officers any amount of money they want. CTA cannot questions that but from standpoint of work you pay your officers as well as your part time officers, how much of that is pension eligible, is the only thing that this Body is concerned about. We vote monthly for employees to retire. The only thing we are dealing with is whether or not a person is retiring and whether they are retiring on pension eligible earnings over their life at the CTA.

Ms. Black spoke about how she researched back to the 1960's and at that time there were part time officers who were receiving their pension based on their earnings from CTA and the union combined. The same formula was not applied but the earnings were used from CTA and the union for their pension. There was never a question that came up at that time and never was a question until recently on how you calculate.

Mr. Collins cannot refute what Rule 14 says he told Mr. Sanford. There is nothing that the Arbitrator said that would remotely suggest what is being asked is the proper thing that should be done. It says that the W-2 and the CTA earnings is what would be used to determine what an individual is eligible for. Again, if CTA wants to run an audit and they want to challenge it, they have every right to do so but this is not what this Committee does. This Committee approves the pension based on the rules that govern this Committee. Rule 14 says based on the W-2 and CTA earnings.

Mr. Morris said a few words about this. He said the union fought to get what they wanted. After negotiations, we went to arbitration seeking a clarification award. Everything that we argued about today was presented in this arbitration award. Mr. Harris and this group lost and now they will not "play ball" unless it their way.

Mr. Anosike said what is on the table here is this Committee determining what employees are entitled to. Everyone who voted to discharge Ernst and Young should explain why in the interest of discharging their fiduciary duties that there should not be an audit when you have been told this by both your counsel and CTA and you are going to close your eyes and not determine the actual amount for retirement benefits.

Mr. Morris made a motion to abide by the Arbitration Award which was seconded by Mr. Thomas. An explanation was asked of this motion. Mr. Burke said the Committee is obligated to abide by the Award and he said if they want a reaffirmation that is a different thing but the arbitration award is binding on this Committee whether you vote yes or no.

Mr. Anosike said the issue is that what was given to each member of this Committee suggests there were times when some members of the union were working for CTA and the union at the same time and that is impossible.

Ms. Rayford said if you paid someone who did not do something, you should be suing the person who put in the payroll. Mr. Anosike said that she was assuming the CTA time was incorrect. We are not making that assumption. Mr. Sanford used an example that Mr. Baughn was at the meeting today as a representative of Local 241 and pretend Robert was working at his CTA job and came down to the meeting for 2 hours. Local 241 paid him for being at the meeting for 2 hours but he was still on the clock at Archer also.

Mr. Williams stated he was going to leave because he did not want to say something he would be sorry for later. In the past you did not ask for the information you are now asking for. CTA went to the Arbitrator and lost. Now you are asking for the same information you asked for in arbitration that you did not receive.

Mr. Thomas felt the Committee should concentrate on what these individuals should be paid this month. He asked what Mr. Forte would recommend.

Mr. Forte felt with the Union Board Member 1995 and back should be used. If anything is found wrong, we can always add or take back. Anthony Jones we will deal with his W-2 forms through 1997. He did not go past the percentage. He said the Arbitrator said they can use all the way up to July, 1996. We could use his 1995 back and pay the two board members those 4 years and if some reason when the audit is complete and something is found wrong, you can always add or deduct.

Mr. Kallianis asked Mr. Forte if he could get a calculation. Mr. Anosike wanted it broken down by CTA and union, but Mr. Forte said he could not get that.

Mr. Thomas wanted to know if everyone on the Committee would accept the recommendation of Mr. Forte.

Ms. Black told the Chairman Local 308 was allowed to go out with W-2 earnings and CTA earnings combined after an audit was completed. She said the same information has been given to the same group of people again. Why is there a difference between 241 board members and 308 board members.

Mr. Kallianis suggested we come up with an agreement. We are all speaking about the same thing. He thought the Committee agreed on it last time. We should come up with some agreed upon minimum payment so we are not leaving these three individuals hanging while we figure this out. We were hoping Ernst and Young would be finished with this by now. He felt Mr. Anosike's suggestion about CTA

time would obviously be acceptable to us.

Mr. Baughn was quite upset that they would give him a pension based on one salary.

A ten minute recess was called by Mr. Collins.

The meeting resumed and Mr. Collins asked if there was any conclusion as far as how we plan to treat the three individuals in question, Robert Baughn, Howard Monroe and Anthony Jones.

Mr. Morris felt that for Mr. Jones the calculations for 1997 back down should be used.

Mr. Sanford made a motion that the calculations for Mr. Monroe and Mr. Baughn be based on 1992, 1993, 1994 and 1995. The pension calculations for Mr. Jones should be based on 1994, 1995, 1996 and 1997. These calculations should be used only for October and November checks. The results of the audit should be here by the December meeting. Based on that result, the Committee will make a decision and recalculate the pay for these months, if necessary. This motion was seconded by Ms. Black.

Mr. Kallianis asked if the October and November payments would stop until we agree. He made an amendment to the motion to include these payments will cease after the November check until a decision is made and start up again effective for December.

The Plan Attorney said he was sure that in Mr. Sanford's motion it is inherent that the audit proceed expeditiously and whatever records there are be turned over and people fully cooperate so this issue can be resolved in maybe November and certainly in December.

Mr. Collins said if there is an auditor's report what he felt he heard is that the auditor's report then sets the standard for what may occur and that is something I cannot be part of. He did not feel a standard should be set.

Mr. Thomas amended the motion that whatever procedure we agree on does not set a precedent for the future.

Mr. Kallianis said he was not suggesting that we take Ernst and Young's results and that is it. He is suggesting we take Ernst & Young's results and look at them and agree upon some numbers, not that we are bound upon Ernst and Young's recommendations.

The Plan Attorney made a point of clarification. Ernst & Young was asked to give a report which would tell that these individuals in a given year and on a given day worked these hours. If these hours are not in conflict, put them in column 1. If they are in conflict put them in column 2 and there could be a 3rd column which contains the CTA hours they were credited with. The Committee will have to determine in their own judgment how they weigh those columns. Ernst & Young will not make the call. They will just give a calculation and hours. The Committee will have to make the call as to what to do. Ernst & Young is only looking at a conflict in time.

Mr. Morris wanted this report to be the sole possession of the Committee. Mr. Burke said it should be an asset of the Committee but if someone files a lawsuit and gets a subpoena on the Committee, they could get it.

Ms. Black said this is getting away from the basic rules of the Plan. There is no rule that says in order to receive a pension a person has to be audited. This is going out outside the context of the Retirement Allowance Committee Rules and Regulations. Everything the Committee is asking for is outside the Rules and Regulations governing this body.

Mr. Morris said we won in arbitration and now it appears to me that we want to go one more step to get that information. He wanted that information protected. He told the Chairman he does not want them to use that information.

Mr. Collins said that if we are to follow the letter of the award. The award does state that information is to be used in a particular sense. It is very specific as to how that information is to be used. Is it this Committee's thought to use whatever information that develops from whatever we wind up doing to use that information in the manner the arbitrator suggests it should be used as per his award.

Mr. Collins said he believed the motion on the floor is to allow pension consideration during the months of October and November with the knowledge that in December that the payments at that time will have to be an issue before the Committee and that it will cease after those two months of those benefit payments and the Committee will discuss exactly where they are. The Committee unanimously approved the motion.

Mr. Forte brought up another issue before the Subcommittee and that is how Ms. Black and Ms. Rayford send the Pension Office a check each month for 3% of the earnings for the Board Members. The arbitrator's award stated that only a certain percentage. According to the Arbitrator's Award they will not be able to use all that time coming from the union. We have to stop somewhere. This Committee has to make some decision on when we receive that money -- at the end of the year. Mr. Collins said we have no idea what type of document which was

mentioned in the arbitrator's award there is and when it will be created and what steps do we need to take in order to at least know what is expected.

It was suggested by Mr. Thomas that the Plan Attorney should take the arbitration award and met with Mr. Forte and see what they can come up with. Mr. Thomas thought Ms. Black should continue sending 3% until something else is decided. Ms. Black suggested if there is going to be a difference then she should be notified in a timely manner.

Mr. Collins is concerned about an audit report that was presented by CTA during an arbitration hearing concerning board member vacations and the member Lindon McCollum was the grievant. He felt the audit report should be presented to the Committee between now and the next meeting so that this Committee can determine basically what relevancy that audit report has. He further suggested that a copy be provided to the Plan Attorney, Chairman and Co-Chairman of this Committee so that they can be fully prepared to discuss anything they may find in that particular audit. He made a motion to that affect. While Mr. Collins was not present, he was told it mentioned the pension earnings of the Committee and it was admitted into record by the Arbitrator. It may have some relevancy as far as this Committee is concerned.

On a motion by Mr. Collins, seconded by Mr. Thomas, the Committee unanimously approved obtaining the audit report from the L. McCollum hearing and have it secured and turned over to the Chairman, Co-Chairman of this Committee and Plan Attorney.

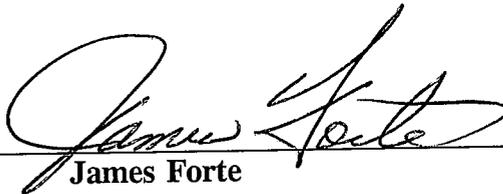
A roll call of members was taken as follows:

| | | | |
|--------------|----|------------|-----|
| D. Anosike | No | I. Thomas | Yes |
| P. Beavers | No | W. Black | Yes |
| L. Sanford | No | R. Baughn | Yes |
| M. Acosta | No | T. Collins | Yes |
| J. Kallianis | No | B. Rayford | Yes |

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

7. Old Business - Ms. Rayford would like to discuss tax deferred pension contributions. It was decided to discuss this at the November meeting.
8. New Business - None
9. Executive Session - None

10. The Committee unanimously agreed to adjourn at 12:10.


James Forte


Chairman,
Retirement Allowance Committee

Dated: 11/24/98
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