

A G E N D A

For the 601st Retirement Allowance Committee Meeting of February 25, 1999

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 600th Meeting held January 26, 1999.
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) Drake E. Atkins - #6519 - (disability) - request for retro-activity to 02-01-99.
 - (ii) Mary R. Hall - #13607 - (disability) - request for retro-activity to 12-01-98.
 - (iii) Sarah M. Hall - #12969 - (disability) - request for retro-activity to 01-01-99.
 - (iv) Deborah L. Vaughn - #19296 - (disability) - request for retro-activity to 02-01-99.
 - (v) James Gress - #20151 - (disability) - request one time payment for period 06-01-98 thru 02-08-99.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Emmitte Brown - #D3352 - returned to duty - 02/08/99.
 - h) Daniel Somsel - #D3243 - returned to duty - 01/27/99.
 - i) George J. Brown - #14126 - Retired and vested under Section 11 of the Plan.
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 THURSDAY**, FEB. 25, 1999, 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.

****PLEASE NOTE THE MEETING THIS MONTH IS ON A THURSDAY!!!**



RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 601st Meeting of the Retirement Allowance Committee was held on Thursday, February 25, 1999, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

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

Mr. D. Anosike, Vice Chairman
Mr. M. Acosta
Ms. S. Leonis

L. Fuller sat in L. Sanford's stead. C. Lang sat in J. Kallianis' stead. Alternates also present were L. Morris (left meeting early), J. Guerrero and P. Beavers. 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. M. Barnes, C. Wesley, C. Spears, J. Henderson and B. C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 10:30 A.M.
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 Ms. Leonis, the Committee unanimously approved the Minutes of the 600th Meeting.

On a motion by Mr. Thomas, seconded by Mr. Guerrero, the Committee unanimously approved the Minutes of the 599th Meeting.

4. Mr. Jerry William, Chairman of the Investment Subcommittee reported on the meeting held this date.

Mr. Joachimi gave the Committee books on the Asset Allocation Study. At the present time, the Plan is over 80% with investments in equity. It should be closer to 65% or 70%. The Plan has 18% in fixed income, 76+6% in equity. The other area includes venture capital and real estate. Wellesley looked at both quarters at

the end of September, 1998 and the end of 1998. The funding changed dramatically because the third quarter was down and the fourth quarter was up substantially. Mr. Joachimi said if you asked him long term about putting 80% plus in equities, he would say absolutely fine except for what the Plan experienced in the last year -

volatility. He felt the Plan had to get back closer to that 65%. Mr. Joachimi said he would have a schedule sent out for the next meeting.

Mr. Collins asked about page 9 how the first line was total funds and the third line is a representative of a fund that does a variety of different things.

Mr. Joachimi said what it shows is what the market has done over a long period of time. What we experienced in the last three years is this huge bump of the index which caused those performance numbers. Every other economy except ours is having a tough time so where does the big money from Germany, Brazil come. It comes into our market and it goes into the top 17 stocks which comprise approximately 80% of the return. That is where the "hot" money goes and that has made the index more attractive shorter term. The last 2, 3 or 4 years have really affected the index. Mr. Joachimi said the Plan's goal is 9%. This does not excuse some of the managers for not performing a little better than they are. The difference between value and growth is the biggest we have ever seen. For instance, the market was up 28% last year. The growth index was up 45% The Plan's index was up 14%. The Committee has to look at the managers and see what they are doing.

Mr. Joachimi discussed the growth managers ABN-AMRO, First American Asset Management, Weiss, Peck & Greer, ABN-AMRO for the year did 28.5 which is equal to the index. First American, which is more mid cap stock, underperformed as did all mid cap stock. Weiss, Peck & Greer 33.4 outperformed the index. He felt the Committee should look at all the managers, and he mentioned Oppenheimer, Delaware, Fidelity and Kenwood on the value side. He said we are starting to see some erosion of Delaware, and they are the Plan's largest manager. Fidelity had a problem earlier on but has done fairly well. Kenwood is not doing well in the value area.

He wants to see the Committee go through each and every area and speak about potential replacements. He discussed the various managers.

Mr. Joachimi said this fund was down 13 to 14% in the third quarter. The volatility is why an actuary would look at the asset allocation. Normally, the Plan would be close to 70% and now we are at 82%. The other reason is retired lives which increases the payouts.

Mr. Joachimi discussed the fixed income. He favored managers from the Chicago area if possible. Mr. Williams had asked him to look at First American Asset

which was Piper Capital and Mitchell Hutchins, which is a division of Payne Webber.

First American is a very large holding company. The numbers are quite good. For 5 years, they are the top performer and are a manager the Committee could consider. Mitchell Hutchins is looking for people who will exceed what the Plan could get here in Chicago. Ms. Leonis wanted to know if the Committee had a problem with going with First American and ABN AMRO. Mr. Thomas said he did. Mr. Joachimi suggested increasing the exposure to MDL while waiting for another manager. They will discuss it at the next meeting.

Mr. Collins asked Mr. Joachimi what amount would bounce us back to 65%. Mr. Joachimi said it would be increasing the fixed income by a lot more than 10% of the total fund, and the total fund is just short of a \$1.8 billion. It would be approximately \$180 million.

Mr. Joachimi asked if anyone on the Committee had other names of managers to consider. The only thing he asked was to make sure then when we come up with the numbers that the Committee does not hire someone from the outside just to have some from outside because if you can beat the numbers here in town, choose someone from Chicago.

Mr. Collins mentioned that a few months ago he spoke about a group called Plexus who do specialized work. They view the execution and basically they monitor managers, and they come back and tell whether that manager is doing what he should be doing. Ms. Leonis felt that is what Mr. Joachimi does and should be doing. Mr. Collins asked for them to make a presentation and at the end of that presentation we can make a decision on whether these people make sense or not.

Ms. Black asked to see a contract that tells exactly what Mr. Joachimi is to do. Mr. Paravola said he will send her a copy.

Ms. Leonis wanted to bring up the subject of Plexus in Executive Session. She said she is very uncomfortable with some of the advice we get from our consultant. Mr. Collins was not under the impression that Mr. Joachimi is responsible for checking out proper execution in the manner in which Plexus would do.

- a) 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 .45%, and the value of the total assets of the Plan as of January 31, 1999 amounted to \$1,799,929,080.

Currently, our cash position is a little over \$20 million and we will be able to pay

benefits for the end of February.

On a motion by Mr. Thomas, seconded by Ms. Black, 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.

Mr. Acosta discussed how at the last meeting we decided to move forward on the real estate investment. Townsend had recommended bringing in Kennedy Associates, TA Associates, AMB Property Corp. and Capri to make presentations to the Committee for the value added funds. His concern was that he has not received any recommendations for other managers. These managers will come in, and we will see if the Townsend recommendations were sound. Mr. Acosta recommended bringing these managers in for a special meeting on March 15, 1999. Mr. Acosta said Townsend did an evaluation of these various funds. He felt that especially the Real Estate Committee should be available when the presentations are made.

Ms. Leonis felt that since these were recommended by Townsend, and Townsend's contract will be discussed at the Executive Session, we should work with whoever is picked to be real estate consultant and it may be Townsend. Mr. Acosta felt that Townsend has not had a real opportunity to bring anyone before the Committee. We are going through an evaluation process. Mr. Acosta felt it would help him if he was able to observe who they recommended, and if the Committee felt they were reasonable that would influence his decision whether or not we should keep Townsend. This is what we have asked them to do in terms of the contract. We could hear them out and it would help us make a decision about whether or not to keep Townsend. He understood there are concerns about performance but what are we grading or evaluating them against. It is a Real Estate Subcommittee meeting but everyone on the Committee is encouraged to attend. He felt this was a fair way to test them out. Mr. Collins said they are either lame ducks or they are working to the last day of their contract. They have a function and they carry out that function. We can take their advise about the managers or not.

Ms. Black asked what if we want to use one of these managers and we terminate our contract with Townsend. Mr. Acosta said they inherit our portfolio. We adopt the criteria and what we want to invest in.

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

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

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

Ms. Eileen Winikates of Ernst and Young reported how they were requested to perform specific procedures with regard to the determination of pension earnings for 3 individuals: Robert Baughn, Howard Monroe and Anthony Jones. They were to look at certain documents that were provided by Schuyler, Roche & Zwirner (SRZ). These were for years 1992, 1993, 1994 and 1995. After obtaining the information from SRZ, Ernst & Young came up with a report which specifically outlined what procedures they followed and what documents they looked at and whether or not Ernst & Young agreed with SRZ conclusions as to pensionable earnings. She brought up last month's meeting regarding Mr. Baughn and how the documents available to them were for the years 1994 and 1995. Ernst & Young did not receive any documents for 1992 and 1993. They reviewed these documents and noted whether they were in agreement with SRZ's conclusions, whether there appeared to be any overlapping time based on the review of the time reports from the CTA and the monthly reports submitted for union work. She gave the Committee documents which listed the apparent days on which overlap occurred for Mr. Baughn. There appeared to be a number of days of overlapping time given the information that was reported in the union monthly report. No one was able to determine what was true overlapping time given the limited information that was provided on the monthly report from the union. There was a point in time given for work performed but no one was able to determine if that was a beginning time, ending time or how many hours it truly entailed. Given the records, Ms. Winikates said they were unable to decide if there is true overlapping time. Also, there was no procedure performed for Mr. Jones because no documents were obtained.

Certain documents for 1992, 1993, 1994 and 1995 were obtained for Mr. Monroe. What was found for virtually all the documents provided by the union on the monthly reports no time was listed whatsoever for any of the work performed. There were many reports missing and in one occasion, there were two reports provided for the same month. They were not duplicates. There were different times and information. She spoke about Attachment VI. These were the only documents that were provided for Mr. Monroe which had any times whatsoever documented on the union monthly report. All other reports looked at for the other years had no times whatsoever. This concluded her report. There were no questions by the Committee.

Mr. Ross gave a report on refunds of contributions, death report, retirement applications to be approved and bills for the Pension Office. Mr. Thomas asked Mr. Ross about the Chicago Transit Authority bill. He wanted to know if we get our supplies from CTA. Mr. Ross said if there are supplies provided, CTA bills the Pension Office. Whatever postage is used for a month for the Pension Office at the CTA Mail Room is billed to the Plan. That is the total postage that is run through their meter for a month. Mr. Thomas asked how that is monitored. Mr. Ross said

it really is not. Anything that goes out of the Pension Office that has to be stamped or through the meter, goes to the Mail Room. It usually runs between \$100 and \$200 a month. Currently, the pension certificates were stuffed and mailed out from the Mail Room. This was mailed to all the active employees. It gives them a quote for either 25 years or the age 65 whichever comes first.

Mr. Morris asked whether we had hard copies of everything in the Pension Office because with this Y2K we will lose everything. Mr. Ross said we do have a backup tape and within the past week our Flex Quote System was changed so that is updated for Y2K. There was no major problem with it because we already used a 4 digit year. Mr. Ross did not think we would have any problems in the Pension Office regard Y2K.

Mr. Morris said he was listening to some program that said we should copy certain information. Mr. Ross said based on what we get from CTA from the PMS and Payroll, we have a printout that prints out everyone that is on our role for the last 10 years of salary. Mr. Ross felt we are covered.

Mr. Lang asked Ms. Newton about Northern's certification that they are updated for Y2K and what Northern's contingency plan was. He wanted to know if the bank had certification from the Plan's money managers that they would be updated for Y2K. Mr. Ross told the Committee he had a stack of information from Wellesley Group informing him what they had received from everyone that they deal with. All the letters and information seem consistent that they are all well into and have spent millions of dollars and are in the testing stage. They expect to be done by June of 1999.

Mr. Lang said his issue is that we have a set plan for the Pension Plan because there may be legal issues if we are not able to make our payments. We could be sued if we do not have documentation of due diligence. We have to make sure that Northern Trust has been in touch with the entities that do business with us. The Plan Attorney said the major concern is that the checks go out at the end of January, 2000 on time. He did not see any investment loss possibilities because of that. He felt there should be a more formal report written up and submitted to the Committee by the Pension Office summarizing material submitted by the investment managers and Northern's report.

Mr. Lang felt there has to be documentation of our strategy on terms of Y2K approach and what activity we take to make sure our systems are compliant and what contingency plans also have to be documented. He told how some pensions plans even those that their systems have been deviated have actually printed up one or two month's worth of checks that they can hold just in case. His concern was that if there is no contingency plan in place and no steps have been taken and it does happen and all of our pensioners do not get their check the first of the month, then

we will be subject of risk and to lawsuits. Mr. Paravola said there is somewhat of a cushion in that the first check that will be going out would be the end of January. The good thing is there are no checks being printed January 1, 2000 and based on what Mr. Ross said there has been a review by the Pension Office. He felt it should all be tied together and reported to the Committee.

Ms. Newton said she would check into this.

Mr. Lang said he did not suggest checks had to be printed but was just giving an example of what other companies are doing.

Mr. Lang felt it should be handled in Mr. Burke's Office. There may be a need to bring someone on board that has experience in terms of the Plan and documentation for a small fee.

Mr. Collins asked if there was any value in Mr. Ross or Mr. Joachimi giving the Committee monthly updates as to what our money managers are doing. Does that help? He felt that the Plan would fare a little better with this if Mr. Joachimi was in the meeting to add what he knows. Mr. Collins asked Mr. Lang if he was suggesting we bring a Y2K expert to speak to the Committee. Mr. Lang felt it should be handled through Mr. Burke's Office.

Mr. Paravola said that they would get some information on a Y2K expert and try to bring them to the next meeting.

Mr. Ross has received calls regarding generating a new pension booklet. Mr. Ross said Forms Design Section at the CTA has not been able to do the typesetting because the equipment is so old and could not print a new booklet. Mr. Ross was able to get a quote from a vendor which CTA and the Pension Office have used. The quote for 10,000 books was:

Typesetting cost	\$ 470.00
Printing of booklet	<u>\$9060.00</u>
Total	\$9,530.00

He brought this up because Benefit Services Area has been looking for a new booklet. We have had the paperwork over in the Mart since August of 1998. They do not have the equipment and what they have is antiquated. New equipment has been approved but they do not know the time frame for getting this equipment. Mr. Andersen of Benefit Services said they need those booklets and asked Mr. Ross to find out what they would cost printing outside CTA and check with the Committee. Mr. Thomas said he felt that they should not have to wait for equipment, and they should have these booklets printed. Mr. Guerrero said if it is

on a disk somewhere we would not have to pay for typesetting. Mr. Ross does not believe it is on a disk. The lawyers put it together with all the insertions from the last contract. Typesetting costs \$470.00 out of \$9,530.00 which he thought was next to nothing. It is basically giving them the sheets of papers with all the insertions from the Plan Attorney's Office. Mr. Ross will check with the individual who put this together and see if he has a disk. Mr. Ross said usually when this is completed, he would bring it back to the Plan Attorney for proofreading before we have it printed. Mr. Paravola said in the past they have typed it over and proofread it. He will take the booklet, it will be retyped and he would personally proofread it. It will come back ready to be printed.

Mr. Collins wanted to know if it has always been the Pension Office's responsibility to print the booklet or is it CTA's responsibility. Mr. Ross said historically it has always been done by the Pension Office. The Plan Attorney said since the late 1980's it has been done the same way because Mr. Paravola was the person who took care of it. There is a blue binder which has a copy of the whole Plan and other document, and then there is a paper booklet that has a copy of the current provisions of the Plan. This is not distributed to all participants. The third document is a summary plan description which is in question and answer form. That is the document that is distributed to everyone and if they have further questions, they can get a copy of the thicker booklet describing the full Plan. These three things have been generated by the Plan Attorney's Office, the Pension Office then arranges for the printing of the two booklets. Once it comes back, it comes to Mr. Paravola in proof form and he goes over it with the Pension Office to make sure it is correct. Mr. Collins asked if this time the information could be put on a disk so it can cut out some of this work for the future. Mr. Paravola said that he will take care of that.

Mr. Williams asked Mr. Paravola if the blue binder has the entire history of the Plan. As far as Mr. Paravola knows it did. He went on with a further explanation. Back in 1987 and 1988, there were a series of booklets that would be revised every year when you had collective bargaining, and the booklets would only include the current provisions of the Plan. Somewhere along the line it was observed if someone wanted to look back and see in one document what the Plan provided, there was nothing like that. There was a time when they spent some time and put together all those historic booklets. The Pension Office has all those booklets going back to 1949. Mr. Paravola felt the long document reflects everything that has ever been in the Plan.

Mr. Williams wanted to know if it would contain why the Plan exists. Mr. Paravola said the opening language states this Plan was established by the CTA and the two locals. Mr. Paravola said it has all the provisions that have ever been in the Plan. He said if it would be helpful to Mr. Williams, he would drop by the office and walk through it. Mr. Morris asked who put the money up and what was the amount in

1947. Mr. Morris said it was important that we know who put the money up. Mr. Paravola thought there might be a file in the Pension Office answering this question.

Mr. Paravola remembered that there were several predecessor plans of the CTA that were actually combined and merged into this single plan.

Ms. Black discussed the two positions that are open in the Pension Office now. She said it is understaffed and she wondered what happened to the posting of the jobs. She understood one posting had been taken down. These jobs need to be filled now. There is a need for one receptionist and one pension representative. She would like the General Administration Committee to make sure a posting is up for those two jobs. As people retire from that office, we need to have the jobs posted in place to have the positions filled.

Mr. Thomas make a motion, that the Chairman and Vice-Chairman of the General Administration Committee see that these jobs be posted as soon as possible.

Mr. Anosike said we have spoken about this already and Richard Burke has sent a letter about posting these jobs. The only caveat is that Mr. Ross should advise this Committee as to how many positions are open.

Mr. Collins asked if these jobs are union jobs. Ms. Black said one is union and one is not. Mr. Collins said he knew two positions will be vacant forthcoming for Ms. Dungan and Mrs. Muniz positions.

Mr. Guerrero asked if CTA responded to the letter sent by Mr. Burke. The Committee has a fiduciary responsibility to fill those positions. Mr. Thomas felt that Mr. Collins and Ms. Leonis would be in a better position to evaluate these positions. Ms. Black said CTA is not responsible for filling the jobs. We work with them as far as getting the job posted but it does not fall under the union or management jurisdiction. It is under the jurisdiction of the Committee.

Mr. Ross spoke about Mr. James Ingram who sent a letter. He was a former security guard, and he was reinstated in 1981. He was given the opportunity in 1981 to put his pension money back in the Plan. He would like to pay it back now. He brought this up another time to Committee and the response was no, he turned down the opportunity when he was reinstated. Mr. Ross was going to write a note telling him based on what was done in 1981 he had the opportunity to pay the money but did not and at this time we cannot let him redeposit his pension earnings. Mr. Collins felt the Plan Attorney should write this letter.

Mr. Ross spoke about the invoice he received from Ernst & Young for their services through January 31, their bill is \$21,000.

On a motion by Mr. Thomas, seconded by Mr. Williams, the Committee unanimously approved paying the \$21,000 bill from Ernst & Young.

Mr. Ross discussed the airline ticket bought by Mr. Baughn for the RREEF Conference so he was not on the Committee at that time so he announced there is a ticket to be used by someone going on a pension-related trip. It expires January, 2000. Mr. Anosike could not understand why he bought a ticket so far in advance. Mr. Ross said in order to get a better rate and save the Plan money. If you purchase the ticket ahead of time you are saving money for the Plan. Changes sometime happens that the person cannot help. Ms. Leonis said the same thing happened with her last year. She bought a ticket to a conference but found she was unable to attend. Mr. Ross told her the ticket has now been used.

Mr. Ross said he did receive the reimbursement to the Plan from Mr. Richard Hudson. This was discussed at January's meeting.

Mr. Collins asked about Mr. John Jones. Mr. Ross said he checked with Payroll and this individual has been out, reinstated, out, reinstated. The last time he was reinstated, Payroll picked him up as a new employee. Mr. Kurowski of Payroll said he did not have any pension earnings that is why he was not on our system. Mr. Gates will reconstruct his history and Mr. Kurowski will get pension contributions paid. He has an April 1, 1999 application.

Mr. Collins said from time to time he receives telephone calls from minority brokers. Each time it is brought here and we talk about adding them to our list. He wanted Mr. Ross to construct a generic letter that allows anyone to go to any minority that they want. He felt that would fix the calls that come in asking for a specific minority broker. Mr. Ross said that in our current letter it always states wherever possible best price and best execution. Other than that we tell them to use Wellesley or Lynch, Jones and Ryan and leave the caveat for the Chicago and/or minority brokers.

Mr. Anosike thought it was decided that 30% had to be designated minority brokers. Mr. Thomas said that Mr. Joachimi told the Committee he did not want direct brokerage because of the execution and that is a crutch. This Committee has accepted that as a way of proceeding. Mr. Collins did not remember anything contrary to that.

Mr. Anosike said we are sitting on a Committee that the level of minority participation is very low other than directed brokerage. Other committees are holding service providers accountable to meeting these goals. Mr. Williams said we should not be directing brokers but he thought they should be in the mix when brokers are looked at. He had a problem with the old system. He is not saying they have to be used but put they should be in the mix so they can be looked at.

Ms. Leonis said we should look at investment brokers. We need to look at a bigger picture. There is obvious some question about our advise. We need to look at Mr. Joachimi's and to bring that up when we are interviewing consultants.

Mr. Ross was asked when the letter will be sent out. He said he is trying to get all the information from Wellesley to reconcile for the year and then get hand dollars back for the excess. As soon as that is done Mr. Ross is able to determine the percentages managers have used to direct to Wellesley or to Lynch, Jones and Ryan. Lynch, Jones and Ryan have upped their percentage on domestic equity on trades to 70 cents on a dollar. For every trade we do through Lynch, Jones and Ryan, they are willing to rebate to us 70 cents. Mr. Ross said he knew Lynch, Jones and Ryan worked in conjunction with a minority broker. Ms. Leonis said they have a small portion. Mr. Ross said \$212,000 last year.

Ms. Leonis said there has been a discussion about this for a long time. She said she never quite understood it. She felt like it was a shell game. Clearly, we have questions about it. She asked if auditors checked it. Mr. Collins said we brought them in and paid \$25,000 to look at it and basically their findings were that Mr. Joachimi should not personally run the soft dollar program. They thought their might be some conflicting interest there. Other than that they were charged with the concept if the soft dollar concept was workable for our situation. They felt it was.

Ms. Leonis said most funds have outside investment consultants as well as real estate consultants depending upon the size of the real estate.

Mr. Thomas read a letter he received from Mr. Elonzo Hill dated January 27, 1999. Mr. Hill requested that the Pension Plan compensate him for working on its behalf for six months after he no longer was a member of the Committee. He suggested compensation for half time, or three months' salary, at a rate comparable to the previous Executive Director, which computed to \$19,5000. He originally made the request January, 1998 but was told to defer it pending resolution of the Executive Director's position. Mr. Thomas turned it over to the Committee and it was decided to discuss it in Executive Session.

Mr. Collins brought up the issue of the seven union board members who retired effective January 1, 1999. Calculation for their pensions was based on the years 1991, 1992, 1993 and 1994 with one exception. That calculation made the pension amounts wrong, and Mr. Ross and Mr. Collins agreed the year 1995 should be used. He faxed the changes in the amounts for those individuals. Mr. Collins is under the impression that the check that went out for February had that adjustment. He needs to know the January amount will be adjusted. Mr. Ross will double check to see if has been changed for February. Mr. Ross said from what he understood, Mr. Forte decided to use 1994 on back instead of 1995 on back. Mr. Anosike said

the records indicated we should use 1995 on back.

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

7. Old Business - Mr. Thomas said at the January meeting we discussed the three union board members, Robert Baughn, Anthony Jones and Howard Monroe. It was decided at the last meeting that whatever the auditors came back with we would put this behind us and make some type of resolution.

Mr. Burke said based on the Ernst & Young report, this issue should be considered resolved because there was no indication of double dipping or fraud. He also indicated we spend X amount of dollars for these individuals and he is wondering if we want to spend X amount of dollars on the other seven individuals. He is recommending that we do not need to spend Pension money for the study of these seven individuals.

Mr. Paravola said he spoke with Mr. Burke the day before after they had seen a copy of the report that was distributed today, and his view is -- The auditor's report is not totally conclusive as to these three people. There is nothing conclusive in here indicating that there was any double timing. There are a couple of questions about hours on a couple of days but it could be there were errors in the record keeping or it could be there was some overlap. Mr. Burke's view is looking at this, that it is not conclusive one way or the other. There is nothing more to produce. If there is some type of adjustment, the Committee should figure that out. If there are no records, he sees no point in sending Ernst & Young back to look at something for which there are no more records than they have already looked at. His view was that the Committee should make a decision based on what has been produced because there is nothing more to produce. If the Committee felt there should be some adjustment, then that is what the Committee should do. Mr. Burke does not feel there is anything more for Ernst & Young to look at.

Mr. Thomas said at the last meeting we were suppose to resolve the 3 union people at this meeting.

Ms. Leonis said in light of this information from Ernst & Young, she did not think we need to hold this for 60 days as we originally decided. Mr. Anosike said he wanted to wait until the other 7 union people were completed. Ms. Leonis asked why hold these three up because that might make the other 7 make a determination to submit material or whatever. Ms. Leonis said do we have any questions on these three. Ms. Leonis said they were looking for fraud and they said there were a few discrepancies but no fraud.

On a motion by Ms. Black, seconded by Mr. Thomas, she moved that the pension

calculations for the three people be consistent with the Pension Plan guidelines which is to use the W-2 form and the pension should be calculated on that alone. There was a roll call of members as follows:

I. Thomas	Yes	D. Anosike	No
W. Black	Yes	S. Leonis	Present
T. Collins	Yes	L. Fuller	No
L. Brown	Yes	M. Acosta	No
J. Williams	Yes	C. Lang	Present

The motion did not pass.

Mr. Williams said it was time to move on. He was wondering if someone had a bone to pick with these board members or the labor organization. We just paid \$21,000 for Ernst & Young to tell us what we knew already.

Mr. Anosike said there will be no incentive for the other 7 to give any records. He felt it was an inappropriate time to vote on this.

Ms. Leonis looked at it from a different perspective. She felt they gave all the information they had. She personally feels it sends a signal to the other seven that if they have any type of information, if they provide they will also be released as soon as Ernst & Young looks at their information. Ernst & Young said from day one they are not in a position to make that recommendation either way. They will give us the facts and this Committee will have to determine if there was or was not fraud. She felt we should release these people and then the other seven have to provide some documentation or information to Ernst & Young, then we will have to look at their information.

Mr. Thomas said they gave all the information that was available for these three individuals W-2's and whatever. We said that is all we have. Mr. Burke explained to us at the January meeting that if that is all you have, you need to make a decision. We agreed to send Ernst & Young back for a recap and we all decided (you too Dennis) that we would resolve this issue at this meeting.

Ms. Leonis said the Committee did say 60 days. Mr. Thomas said we spoke of resolving the issue on the 3 union members at this meeting and the other 7 union members in 60 days.

Mr. Anosike felt we decided we would resolve this issue in 60 days. Ms Leonis felt it would send some type of sign by resolving it.

Mr. Collins said Mr. Baughn and Mr. Monroe provided more than was required. Mr. Paravola asked if Mr. Jones had provided anything. Mr. Collins said he is not

a board member. He gave W-2 forms. Mr. Paravola said there may be a minimum level of information that is required and if an individual is able to provide more information. Mr. Burke comment was when there comes a point where the Committee is satisfied that there is absolutely no more information to be obtained from any source, then clearly a decision has to be made if there is nothing else that in any way can be obtained. That may be viewed as a little different situation then one where there is a possibility that additional information could be obtained. If the Committee does approve something, that always establishes a precedent because the Committee does have an obligation for consistency. To his way of thinking if you approve something where you have exhausted all possibilities to your satisfaction, this is one type of precedent. If you also approve something where some people feel there is a possibility that there may be more information or approve something where there is no information, that is another type of precedent. He just pointed out that between these three then you can distinguish the circumstances perhaps it may be that two of these people have satisfied everyone on the Committee but it may be some people would say we are not satisfied on one that we have everything that we could possibly get. You do establish some precedent for the next people coming around.

Mr. Collins said the arbitrator said the records are in shambles that is why he may the decision he made. What bothered Mr. Collins the most was that the Committee is proceeding with this issue like there is something wrong with the W-2's that are put together by the union. It is conceivable the W-2's may not reflected something that CTA should have done. Case in point if a Repair Board Member is on the clock and he clocks off after speaking to the Foreman and goes and takes care of union business and returns to work, should that time have been subtracted. The Foreman has control over how he should do the records. He could have paid that man 8 hours when he did leave to do union business. It has been suggested that there was something wrong how W-2 forms were put together working by the union when it could in fact rest with something that CTA had done. That is why the Arbitrator said the records are in shambles. That is why the Arbitrator says W-2 from 1995 back.

For the record, Mr. Anosike said it could be something CTA did not do. He is only looking for the facts.

Mr. Collins wanted to know if anyone knows for a fact that CTA has an employee on the clock for the entire 8 hours that they said they did.

Ms. Leonis said from her understanding of the three individuals, two were union executives and one was a rank and file member that periodically would be brought in to do special projects. She said by virtue of what he did, there probably are not any records.

Mr. Thomas said he is saying the following with no malice but their are individuals sitting here who have to go back to their superiors to make decisions. That is why there is a gridlock. This affects individuals' livelihood. This is the most pressing issue to come before the body. We have individuals on pension who do not know what their pensions are going to be. We spin our wheels simply because we do not have the authority to make decisions. He felt it was unfair not only to these individuals but the participants of the Plan.

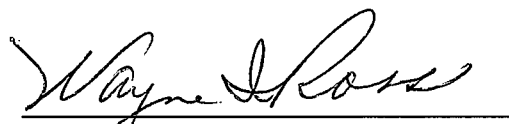
Mr. Anosike thinks it is bad we have started to cast dispersion on each other. I have not cast dispersion on anyone who is not ready to go because someone does not agree on your position. They have a right to have their opinion.

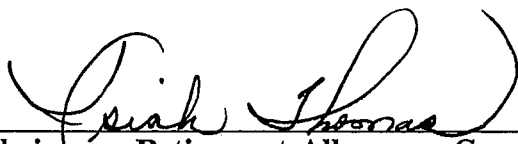
Ms. Black asked Mr. Anosike what he was looking for. She turned over everything we have. I have no records for Mr. Jones. CTA has those records. As far as the Repair Board Member, it is unusual for them to pick a 5 to 2:30 shift and then work from 2 to 10 if the Foreman okayed it but your records will not show it.

Mr. Thomas said we will hopefully be able at the next meeting to make a decision.

Ms. Leonis said if there is a need for discussions on this matter, they should take place between now and next month and be prepared at the next meeting to do it. The next meeting we should move on these 3 and the other 7 since it was our intent last month.

9. Executive Session - The Committee went to Executive Session at 11:00 A.M. The Committee adjourned Executive Session at 11:29 A.M.
10. Adjournment - There being no further business, the Committee adjourned at 11:30 A.M.


Wayne I. Ross


Chairman, Retirement Allowance Committee

Dated: March 23, 1999

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