AGENDA

For the 603rd Retirement Allowance Committee Meeting of April 27, 1999

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 SouthLaSalle Street, Directors Dining Room - 6th Floor.

2. Roll call.

3. Approval of the Minutes of the 602nd Meeting held March 23, 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) Yvonne C. Davis - #1712 - (disability) - request for retro-activity to 03-01-99.

      (ii) Pearlie M. Jones - #21106 - (disability) - request for retro-activity to 04-01-99.

      (iii) Joli J. Thompson - #26562 - (disability) - request for retro-activity to 03-01-99.

   d) Presentation of Death Benefits for approval.

   e) Presentation of Refunds of Contributions for approval.

   f) Presentation of Bills and Remittances for approval.

   g) Richard Thomas - #D3287 - returned to duty - 04/19/99.

   h) Nathaniel Bradford - #D3180 - returned to duty - 04/12/99.

   i) <u>Presentations</u>

7. Old Business

8. New Business

9. Executive Session

10. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 603rd Meeting of the Retirement Allowance Committee was held on Tuesday, April 27, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

Ms. W. Black	Mr. D. Anosike, Vice Chairman
Mr. T. Collins	
Mr. L. Brown	
Mr. J. Williams	

L. Fuller sat in M. Acosta's stead, P. Anderson sat in S. Leonis' stead, Craig Lang sat in J. Kallianis' stead, P. Beavers sat in R. Winston's stead, L. Morris sat in I. Thomas' stead. Alternates also present were, M. Barnes and J. Guerrero. W. Ross and C. Lewis of the Pension Office Staff were in attendance. Ms. Pamela Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren, MacKay & Serritella was present. Messrs. C. Wesley, C. Spears, and J. Henderson were also in attendance.

1. The Chairman called the meeting to order at 8:30 A.M.

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

3. On a motion by Mr. Brown, seconded by Mr. Collins, the Committee approved the Minutes of the 602nd Meeting.

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

Mr. Joachimi stated that there are three things to talk about today. One is the Asset Allocation. The second is we have done some extensive work on several firms being suggested as a replacement for Oppenheimer Capital who is your core manager. The third is Weiss, Peck & Greer is here to talk about a new program which we are recommending.

My recommendation is that we bring, and I would suggest a separate meeting so that we do not get confused with everything else, in at least two of the index managers. We bring in either the bulk of the core equity managers Aeltus Investment Management, Inc. and INVESCO or just one of those. I also recommend because we are dealing with about $200 million, if we agree that Oppenheimer Capital should go which I am recommending that they should, that we would split the $200 million just about equally.

We might want to weight the pure index managers a little heavier than the other core managers. What I would recommend here is that we interview these managers, but we do it on a separate day. If there are any other managers that you want to consider we should do that now. We could take a look at our Master Trustee bank. It is the index area that we could look at for potentially some other manager.

Mr. Collins said that he is very happy to see that there is some indication that we are going to look at the index. That is something I have been a proponent of for quite sometime. When I know that most active managers do not beat the index. That is where we are we are trying to beat the S&P by a certain amount of basis points. It just does not happen enough with the active managers not to take advantage of this approach.

Mr. Joachimi said that until approximately two years ago you had a good share of your managers beating the index. The index is doing well because of 15 stocks, 15 companies and the index is 500 companies. So you take those 15 companies out of there and you could see a change dramatically. My recommendation is that I would like to look at the pure index area.

Mr. Williams said that this is quite a load that you are bringing before the Trustees today. I think they have to digest what is being said today. Looking at the numbers even before today I have been talking about the index. We have another large manager and that is Delaware. I would have liked to have seen what their numbers were too.

The Plan Attorney asked a procedural question. Is your thought to terminate them now before you have a replacement in. Because we are going to have to do a transition of that account. I do not mean to change the motion. I just want to get some timing sense to when you cut them off. Mr. Joachimi added that I would agree with you because I would like to keep the money working.

Mr. Collins said we did something similar when we had Lazard and NCM Capital. They were in the fired mode as far as we were concerned, but they still interacted with Mr. Ross and some of the others in the office. My question is. How awkward was it for you Mr. Ross being thrust in that type of that situation. When you knew on one hand that they were fired and then on the other hand you had to interact with them. Mr. Ross replied I just waited until the final ax fell and continued on like business as usual.

Mr. Williams asked is there any reason why we would not have them in even though we are going to move forward with what we are going to do.

Mr. Joachimi said we have almost always had the pre-existing manager as part of the presentation. They have been around 8 plus years. We always give a manager plenty of time. There has been a lot of changes at Oppenheirmer Capital. Parts of their firm were sold. I do not think anything they say is going to change your mind, but certainly you could have them in. They would be glad to show up to talk about what they are doing and where they are going.

On a motion by the Mr. Anosike, seconded by Mr. Collins, The Committee unanimously approved to replace Oppenheimer Capital.

Mr. Joachimi said my recommendation again is that we set up a separate meeting. We are dealing with $200 million. I do not think with the Asset Allocation that we should take any money out of this area at all. It should come out of other areas.

I am going to recommend that we look at bringing in people from the equity index group and from the other core manager group. We look at hiring one out of each of these groups and getting that going sometime before the next monthly meeting. We have to decide if our trustee bank should be considered for one the index parts.

The Plan Attorney said Northern Trust in our structure is the one that passes upon the nomination. To a certain extent they would be passing upon themselves. There is an inherent conflict in that situation. Index funds are a slightly different mix. The Plan Attorney asked Mr. Joachimi does the index performance of these different funds vary so they must pick different stocks for the mix of there index. Otherwise why would we get these variances.

Mr. Joachimi answered that they will do it in different ways. There always going to be variations because of the timing. I think you will notice we are talking that through out the five years and you look at the numbers. We are talking maybe ten to 15 basis points. Very small variations. The Plan Attorney asked will they all have the same number or the same percentage in that index portfolio of different stocks. Mr. Joachimi said that I have to give you more data than I got in this book. What does Rhumbline Advisers, Amalgamated Bank and Bankers Trust do. There are going to be slight differences in the portfolio which is why there are slight differences in performance. If you are going to do anything like that where they pass on themselves it has got to be in the index area.

Mr. Collins said a few months ago Northern Trust made a presentation based on how they could use different vehicles for the cash the bank has from our managers. Mr. Collins asked Mr. Ross did we ever do anything with that. Mr. Ross replied no.

Mr. Collins said the reason I mentioned it because it appeared to be something in hand with what we are doing here at the bank. We sort of let it fall through the cracks. Mr. Collins asked Mr. Williams if at all possible maybe we could get Ms. Newton to bring those people back in.

Mr. Joachimi stated that on this core manager study we can put something together before the next meeting. I would recommend that so we can keep these things moving along. Basically the Index is run by the big players. Every one of these firms is multi-billions of dollars. To find an alternative manager is a little tough. Rhumbline Advisers has been in for a while. So they are one of the few that could qualify. They are there because they are good. They are a minority manager. I will just defer them for the next step to you.

Asset Allocation: I am looking to take about $40 million out of your aggressive area. There are only two managers there who are over their allotments. Ariel Capital and Foster Friess. I am recommending that we take $25 million from Ariel Capital they are presently at about $152 million and take $50 million out of Foster Friess they are presently at $115 million. They will still have a substantial position in the portfolio and that will reduce the amount of money in aggressive growth by about 4% which we should be thinking of anyway.

Mr. Collins asked does that mean then that when we pare back from the equity exposure that we have in general that particular area would not be revisited because you have already gone through that area.

Mr. Joachimi said you could say that, except we have one manager that was always your best manager and that was Foster Friess. The last couple of years it has not happened. I bring up the Foster Friess because I am recommending that we take some money away. It is because they have had some other problems and we are looking at them very closely. The other area I want to take money away from is the value area which has done extremely well over time.

That is Delaware. I would like to take $65 million from them. Fidelity I would like to take $40 million and they have $187 million. In total reducing $145 million, we could change those numbers. But I would like to take $40 million of that $145 million and increase Weiss, Peck & Greer by $40 million. That is your growth area. If you remember Weiss, Peck & Greer was reduced because they were not performing well. They have a small amount of the money. I am recommending that they come back and be at least as big as ABN-AMRO and etc.

Mr. Lang asked where is the other $105 million going. Mr. Joachimi said the remainder of that money is going into fixed income. The $105 million will be going to fixed income to change the Asset Allocation. If you remember the study that we did it said that we should be closer to 65% in equity and we are almost at 80% equity. Fixed income should be 35%. What this would get you to is closer to 70% in equity and 30% in fix income. That is the outer limits of where it should be and that is what we are recommending. I am throwing these out as recommendations. I can finalize these things in a printed form.

We have just hired two new fixed income managers. We increased the allocation to MDL who is a minority fixed income manager. There was a recommendation at the last meeting that we put $45 million each with the two new managers ABN-AMRO and First American. But we did not have that much money because we had already put $25 million with MDL Capital previously. With the new money after we hire these two and we give them their money which is closer to $35 million each. This new money should be split between Chicago Title one of your existing managers and the two new managers so that we bring them up to a larger amount of money. That will change your Asset Allocation to approximately 30% on fixed income. Those are my recommendations.

Mr. Collins said that if we are talking about money being made available for fixed income and we are also in the same breath talking about the money that was with Amalgamated and Chicago Title. It was hot money that was suppose to fund these new groups. Would it make more sense to, if we are going to expose some money, let the smoke clear before we make decision on Amalgamated Trust and Chicago Title. Because if we take money from them and then a month later give it back to them it just does not make much sense.

Mr. Joachimi said if we can do that with taking the money from the existing managers, split it and give it ABN-AMRO and First American we accomplish what we want to do in the first place and we do not go back and forth. I think that probably some over-weighting with the two existing managers is something we can talk about in the future. You got four domestic equity sections. One is aggressive growth which is over weighted. What I am recommending is we raise $40 million from that area. I have recommended specifically reducing Ariel by $25 million. We should reduce them from $150 million. Reducing Foster Friess by $15 million and they are at $115 million give or take. I would increase Weiss, Peck and Greer, that is your growth manager who through year end was up 33.4 vs. the index being up 28.6. Down in the value area I would reduce Delaware Investment Advisors who has $303 million and reduce them by $65 million. Reduce Fidelity by $40 million they have $187.5 million. Those are my recommendations. I will put together this recommendation in writing, get it to Mr. Williams and he will get it out to you.

Ms. Anderson asked are your recommendations driven by performance or just balancing it out. Are you just making the switches because Ariel and Foster Friess have higher exposure and you are trying to bring them back in line.

Mr. Joachimi said it is not because of performance. It is because of over weighting in areas. Until two years ago the reason that they got over weighted because they did very well. The same thing is true in the value side. They got over weighted because they did very well and now we are trying to balance them back. That is always the toughest thing to do but it is the right thing to do. I will put this together in context with the numbers so that you can have them very quickly.

Mr. Lang told Mr. Ross that he would like a year to date number for the previous year to be included in the report.

Mr. Collins asked where are we with bill paying cash. Mr. Ross replied I talked with Mr. Joachimi and we took some money from Ariel and Delaware. Right now as of closing we have 19 million in cash. We took 6 million from, Delaware and Ariel for this month to pay benefits. Right now we have $19 million in cash to get us through the end of the month payment. Which has been running right around $15 million. We are still getting approximately $3 million a month from the CTA for pension contributions.

Mr. Collins asked how awkward is it to operate with such a fine margin. Mr. Ross replied I usually call Mr. Joachimi and we discuss where he would like us to take money for benefits. I just try to give the managers as much lead time to sell off securities. It seems to be working relatively smoothly once Mr. Joachimi figures how we should do it and who we should take it from. We generally try to give them at least two weeks for them to decide how they want to rebalance their portfolio to handle this withdrawal. Mr. Joachimi said that is done purely on balancing. We do not take it from the best performer or the worst performer.

Mr. Morris asked about last month's contributions. Mr. Ross said last month it probably was deliver to the Northern after their cut off time. So it is generally there the last day but it is past the cut off so then it ends up being the first day of the next month.

Mr. Morris said I was looking for $6 million in contributions and I only see $3 million. Where do I find that last month in contributions. I notice that over the months the we have had double contribution when I see a large month. Last month when I did not see any contribution so I was waiting this month for the contribution.

Mr. Ross said it depends on if they get it prior to the cut off. For this example they probably missed the cut off two months in a row. It will eventually be in this report.

Mr. Ross said that last month when I questioned it why the contributions were not there it had not made it to the bank. The minutes shows it. This month I looked for the contributions, it is $3,154,000. Next month it cannot be in there because it would be false. Why this lapse is not in this report.

Mr. Lang said that this particular amount of money is from last month. Mr. Ross said it was the one that missed the cut off last month so the fact that there not six means it missed the cut off a second month in a row.

Mr. Morris said that every report I get I look for the contributions. From month to month I have been looking at this report for the contribution. Only month that I did not find it was last month. They say well we have been missing it by a couple of days. That was last month and the month before last. Now I am saying that it should of been two months in there and I do not have it. Mr. Ross said that Financial Controls only takes what is in the cash report for that month.

Mr. Morris said I just do not want people to tell me that we are always a month behind. We are not suppose to be a month behind. The membership pays that money. We get that money in the bank. We draw interest on it. I can understand that every now and then that we are missing a month. At some point in time there should be a double

Mr. Ross said the check is being received by the Northern on the last date of the month in the afternoon. Their cut off time is 2:00 p.m. A lot of times the delivery of that check is there after 2:00. At some point there should be a double.

Mr. Collins asked who do we talk to keep this problem from occurring. Mr. Lang said the issue is not that the check is late from the Authority. It is making it on the last day of the pay cycle. It is just that Northern closes its receipt for the check earlier than the close of business on the last day of the month.

Mr. Collins said if we could get that check in before 2:00 on that last day then that would alleviate all of these problems. Maybe we can talk to Mr. Anosike on how CTA can take steps to alleviate this problem. Mr. Anosike said that he promises to look into it.

Ms. Anderson said I want to go back to the fact that you have to deplete investments before we make pay-outs. The determination of where the funds are pulled from still relates to weighting as opposed to performance. I do not understand that. Mr. Lang agreed. Rather than weighting my suggestion would be to use performance as an indication that you have to get on the ball and start producing for us. It does not make any sense to take it from a good performer that has been performing for you.

Mr. Joachimi said we can do that fairly easily with in a group. Let us take the aggressive growth group. I want to hit Foster Friess or First American. But when you decide what group you are going to go to then you have to go to asset size where you are over the upper end of where you are suppose to be. So the two areas that you hit are aggressive growth which was over its upper limit and value which was over its upper limit. Within that group you could then do just as you are saying. Let us now analyze the under performer in that group. That is not hard to do we can do that.

In the aggressive area you have three managers. Those three managers, actually four, one just started. Are Ariel, Friess, Mentor and Dreyfus. Dreyfus just started. The worse performer in that group is Mentor who is actually down since they got into the business. Then you got Ariel and Friess. What do you want to look at. Do you want to look at 3 years or 5 years. We have to really decide because to make that decision on one year is not how we approach it at all. We have always looked longer term. In effect the money when you are talking on a five year basis or even on a ten year basis we are taking more who have not done quite as well as the others. On a one year basis you probably want to take it all from Foster Friess. We go to set a time frame as to what we look at. Certainly one year is not the answer because these guys go out all over the block on one year.

Mr. Collins we have in the pass found a way to set aside a quarters worth of money to pay the bills. We were able to look at the group and determine where the money would come from. If we do that and we are talking about cash for that length of time. Then that even brings in Northern on how they deal with that task. It makes it that much more important.

Mr. Joachimi said what I will try to do is put that together with everything so that if we do set up a meeting. A presentation by Weiss, Peck and Greer on Venture Capital. Remember that one of your fields have done extremely well is going to be liquidated. They have a new program which we think looks very attractive and that is what they are going to present to you.

I think you want to expand this area but I think we got to look at some others so we get diversity. There is a timing constraint. You are going to have to make a decision relatively soon. We are recommending that you consider this.

Mr. Brown asked why is that everybody we get we have to make a decision today. It seems like everybody we get they want the money last week.

Mr. Joachimi said it is the way alternative products work. First of all they can not say much about it until they are really ready to go. Then they have a time frame for there first closing. The problem with our group is that luckily we meet once a month so we can listen, put it off for one month and make a decision. That is true in business. But with the alternative products you have to move.

The Plan Attorney said that managers ABN-AMRO and First American have been cleared with Northern Trust after the nomination by the Committee. So there are letters here authorizing funding which call for The Chairman of the Retirement Allowance Committee's signature.

Northern has recommended that in regard to securities lending program that they be authorized to accept Euro which is the denomination of the European common market as a collateral. It just began a currency approved earlier this year as you recall. So if that would be acceptable to the Committee we would need to amend our securities lending agreement with Northern. If they could take Euro as additional collateral in addition to American currency.

Mr. Joachimi said that it is here to stay. It is like our dollar. It just makes the job a little bit easier for the securities lending people and broadens out what they can do. We feel very confident that is perfectly fine.

On a motion by the Mr. Collins, seconded by Mr. Brown, The Committee unanimously approved to amend our securities lending agreement with Northern Trust to add Euros as additional collateral.

Mr. Greer of Weiss, Peck and Greer gave a presentation on a new program. We are forming another Venture fund that is going to be between $200 million and $250 million.

It is going to have the same exact terms and conditions as the last one and we hope that CTA will be in this fund.

Mr. Joachimi stated that one of the concerns is timing. We do not have another meeting schedule for a month, the fourth Tuesday of every month. Can the decision rest until then or are you faced with needing a decision. Do you have a minimum amount that you except.

Mr. Greer said the answer to your question is we certainly can take your commitment on May 25, 1999 and we certainly will take you at $5 million if those are your terms.

Mr. Joachimi said we strongly believe in the alternative product side of this business. My concern was that about the only thing we have is Weiss, Peck & Greer. That is the only player. As a firm we are not comfortable with just doing business with one firm. The only reason we are excited about this situation. The 1997 fund is liquidating.

Mr. Greer said the 1997 fund is about to start to harvest. A year from now certainly 2 years from now it will be a lot more obvious what you have. The 1994 fund is obvious what you have and you have not seen the end of the 94 fund.

Mr. Joachimi said that is why I was interested in this new fund. Because effectively you have harvested everything you put in and a whole lot more and there is still more to come. I was interested in this new fund and I think it is something you should consider. As we go along we are going to have more alternative products. I think we do have to look at some other players.

Mr. Collins said I do not know if waiting a month to make a decision on this will make any real difference. This is Venture Capital either you like it or you do not. We have had great success with these people with what we have done with them up to this point. They have not really changed things so it appears. They are simply moving forward with the successes that they have. With that in mind Mr. Chairman I would like for us to make a decision on this today and then move on with it. If that is the consensus of the Committee.

On a motion by the Mr. Collins, seconded by Ms. Black, The Committee unanimously approved to nominate Weiss, Peck and Greer Venture Capital V and fund them with $11 million.

Mr. Anosike wanted the Committee to look at a Statement of Investment Policy document. Ms. Beavers gave an overview of the policy because she had some input in drawing the document up. Mr. Williams suggested that the Committee review it for the next meeting.

Mr. Williams said that he did not get a clear answer on the situation with RXR the last time. He asked the Plan Attorney was he suppose to do some investigating.

The Plan Attorney replied that I am going through the minutes to get a report which will indicate the timing of the investment and the chronology. I will have that data for you when I get the exact dollar and dates.

a) Financial Report - Wayne Ross then turned the Committee's attention to Report of Deposits, Disbursements and Investments in the Trustee Summary and stated that the value of the fund on March 31, 1999 was $1,767,663,216 with a monthly performance 1.96%.

On a motion by Mr. T. Collins, seconded by Mr. L Brown, the Committee unanimously approved the Investment Subcommittee Meeting.

5. Mr. L. Brown, Vice-Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

Mr. Brown said that Mr. Grant Berlin of Townsend came and spoke to the full Committee last month about making investments. One of them was with Capri Income Select. Capri Income Select is a minority owned firm based in Chicago who does debt real estate. It was recommended by the Mr. Anosike, Mr. Ascota and myself that we invest between $10 million to $15 million in Capri Income Select. Mr. Berlin brought it to the full committee last month and discussed in depth what Capri Income Select was all about.

On a motion by the Mr. Collins, seconded by Mr. Anosike, The Committee unanimously approved to allot $15 million to Capri Income Select.

The Plan Attorney informed the Committee of two items of interest. One is we have a new contract on the property up in Elk Grove Village. That vacant piece which has been on the market for some period of time came from Reef. A $3,800.000 purchase price from Concord Builders for residential purposes. It will be long drawn out time when they go through all there contingencies to see if they can get applicable zoning and building authority. But it is a price which is above what we were speaking of most recently and the contract has been signed. It is probably going to be six to nine months before we get a clear reading to see if it is going to go.

The other thing was we did negotiate and finalize the amendment in regards to the Hines contract to recall for Lake and Wacker which was the subject of last month. The additional $250,000 which was in escrow has been paid to the Retirement Allowance Committee. Another was put up and that should be paid to the Retirement Allowance Committee. So $500,000 all totalled in hand. The other $250,000 will be coming in October. They are going through their work to move that to a closing which should take place after the first of next year. The purchase price is going up by 6% per annum and we are continuing to receive the cash flow from the parking lot lease.

Mr. Collins asked Mr. Brown if we talked about marketing Jeffery Manor. Is there any activity in that area and does anyone know anything about it. Mr. Brown directed the question to the Plan Attorney. Mr. Burke replied we have not. I have not heard anything further from that in regard to Mr. Berlin or RREEF. They have not come in with a specific recommendation yet in regard to a marketing strategy or prices.

Mr. Collins expressed that he hope that they are aggressively going after that. Mr. Burke said he will remind Mr. Berlin of that.

On a motion by Mr. T. Collins, seconded by Mr. D. Anosike, the Committee unanimously approved the Real Estate Subcommittee Meeting.

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

Mr. Ross gave a report on refunds of contributions, death report, retirement application to be approved and bills for the Pension Office.

Mr. Collins asked if there was some discussion at this table concerning Ms. Alice Dungan and the Pension office. Mr. Ross replied that last month she was going to be in fact retiring May 1, 1999. Mr. Collins asked if there was a discussion about whether we should extend that period based on the shortages in the office. Mr. Ross said I do not think they talked about extending her they just indicated that she was retiring May 1, 1999. There was nothing said to extend her. We did fill out a personnel requisition for her position.

Mr. Collins said we have received at least two letters that was sent challenging the fact that these individuals were not being included in the pension incentive. Mr. Collins then asked the Plan Attorney to review the letters from Selmon Broughton and Jose Salis.

Mr. Collins said that Board Member Hugh McGhee who was one of those that was being held based on the conflict that existed on how board members were suppose to retire. Was an individual who applied for a particular date and one of the prerequisites in receiving a date was base on whether or not you were actually working. Mr. McGhee was not working and requested a date based on the fact that he was not working. I can recall when Mr. Thomas, Mr. Morris and myself retired and the fact that we had a date based on the fact that we were not working at CTA it became a retroactive date. Mr. McGhee was not available and asked for that date based on his unavailability which was subsequently held because of the controversy that was going on regarding retirement incentives.

Mr. Morris said Mr. McGhee was a board member for the union. Three years ago he went into the sick book. He applied for the incentive program. Everyone that was inactive or in 605 was allowed to retire. Mr. McGhee was the only one not allowed to retire because he was a ex-board member, because no board member, nor ex-board could retire. From the first group incentive Mr. McGhee has not received a check. Everyone else received a check accept him. We believe that he is entitled to that money and an adjusted pension date. He put in for the incentive program. At that time we had a lot of people in the sick book that was qualified. All the people in the sick book was allowed to retire under the incentive plan if they were eligible. They were in 605. The reason he couldn't retire because he was an ex-board member.

Mr. Anosike suggested that Plan Counsel look at the records and discuss it next month. Mr. Burke asked Mr. McGhee if he was receiving disability benefits during the previous time. Mr. McGhee replied no, just sick pay. After the sick pay ended I received nothing.

Mr. Morris asked counsel about the tax issue. The Plan Attorney said at our last meeting Mr. Morris raised an issue in regards to an individual who after retirement and prior to receiving the anticipated payments in full that he would have received based upon his contributions dies. What happens in that situation. There are really two aspects of it. There is a Plan aspect and a Tax aspect.

Under the Plan aspect, if an individual has not received in full the sufficient number of payments equal to his contributions plus interest of the Plan, he receives a refund under the Plan.

The Tax law states, when an individual is receiving benefits on a monthly basis towards when he has made contributions a portion of those benefits are viewed as a return of his own funds and not taxable to him. That determination is amortized over the expected period of time that the individual or his spouse, should he have made a spousal elective would receive the benefits. If the individual dies before that period of time happens. The individual on his income tax return receives a deduction on his federal income tax and state income return is entitled to a deduction for the portion of his contributions which he has not received under the pension payment system.

Mr. Morris said that all the people that have been calling me have not been receiving the full amount of money that they did not pay taxes. The average person that died will leave money up that he has paid taxes on.

Mr. Burke said that is quite possible. I thought because of the significance of this I would write a letter to the committee after I explained it here and have it in a package so you would all have it available. You may have some further questions but at least you will have something in black and white.

The Plan Attorney continued. I got in touch with Ernst & Young in regards to making the calculation of the Committee had approved in regard to the part-time officers. I sent that to Eileen Winikates. She has not sent it to review. All that she is being asked to do basically on those individuals where there is a conflict in time, just to note it for the

Committee. So the Committee then can make a decision on the calculation. Unfortunately I do not have that back from Ernst & Young.

On my suggestion, those individuals would continue to receive the full benefit which they have historically have been receiving until we have that. I would hope then that we can process the other seven people through on the same system.

Mr. Collins said you have heard the Attorneys suggestion is there anyone who thinks contrary to that. Otherwise then that is how we will proceed.

Mr. Ross said the Pension Representatives have been talking about not getting information on a timely basis from the medical department. Is there somebody that I could talk to, especially on Disabilities, we are not getting the timely information so people could retire. That generally causes us to have a lot of retro-actives.

Mr. Collins suggested to talk to Dr. Realiza and maybe she can connect you to some point person that could address your concerns. If it does not work that way next month we will decide what we need to do.

Mr. Ross said that regarding the part-time union officers, Mike Caffery's group, in the course of the year might have union earnings of $5,000. I know that it would be a very small amount on a monthly basis. I was wondering if it was all right with the Committee if they could file pension contributions on a quarterly basis.

Mr. Collins said we are doing it monthly with Local 241 and Local 308. I feel that we should keep it consistent if one is required to do it in a certain manner, then the other should be as well. If they want the credit then they have to deal with the paperwork.

The Plan Attorney said Mr. Lang raised a point in regards to Y2K with the Plan. We have taking it up with Ernst & Young to see if they could provide that service. They do not have the capacity to provide that type of a verification service. It is terribly important that we do not have any glitches as we come to the end of this year. Where are our sensitive spots. Obviously the reporting from Northern, so much of the reporting in the Investment Managers goes in there. The reporting that comes into our statistical material is important. If we could ask for a presentation by Northern Trust as to how their addressing the Y2K, because that's going to be a large element of your whole Y2K reporting to the Committee.

We could ask Northern Trust for an update. Then I think we might talk to some other providers of information to the Committee in regards to see the dimensions of what concerns we might have. I would make that recommendation to the Chairman, to ask Northern Trust for a report at the next meeting in regard to Y2K as it impacts the Plan here on the reporting on the trades and the accuracy of the reporting.

The other one that might be relevant would be the data coming from the Authority in regards to information on particular individual employees. That would be another source to here from in regard to the accuracy of that information coming in yearly. We are going to the sensitive spots for the data where the data would come in that we know we are getting good information. I would recommend that you might want to ask for a report from the Northern and from the Authority. Then we might move down the ladder to see other sensitive data. I think we should ask that question of Mr. Joachimi as well.

Mr. Collins asked the Plan Attorney to detail those issues out as he mentioned them and get it to respective groups so they could respond in the way that you suggested. Mr. Collins asked Ms. Newton if she can felicitate something like that. Would a month be enough to get it done. Would you have dialogue with the Plan Attorney on the subject to get it done.

Mr. Lang said that it concerns him that it was not a person approved to do the overall coordination of the Plan. In terms of our fiduciary responsibility covering ourselves from a legal aspect I thought it would be better to hire a professional firm. The Plan Attorney said that he will make some additional inquiries in regards to the firms and make recommendations before you next month.

Mr. Williams said in the area of the part-time officers, was that clear the issue on whether the Authority is making contributions. Mr. Burke replied that to the best of my knowledge the Authority has not made the contributions for the part-time officers. The have for the full-time officers. The part-time I am anticipating once we get a resolution of this one issue from Ernst & Young they would cut checks. That is what the Authority position is.

Ms. Black said that Local 241 have been making continuous contributions for the part-time board members anyway. There is going to be a refund due to some of those retired. Once I get all the paperwork done I want to summit it to the Committee. Mr. Collins added that those monies that have been matched by the Authority will not be part of the refund. Only what has not been matched by the Authority.

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

On a motion by Mr. Brown, seconded by Mr. Anosike, the Committee unanimously approved the General Administration Report.

7. Old Business - Mr. Brown asked the Plan Attorney if we are in arbitration for an Executive Director. Mr. Burke replied I received a copy of a letter last week from Lisa Austin directed to the Attorney for the Authority. They are attempting to agree upon dates before the arbitrator. The Arbitrator has been selected. The lawyers are scraping back and forth about dates and they are talking about dates in August to make a presentation before the Arbitrator.

The Plan Attorney was concerned that we have not moved forward in doing our 1998 audit of the Retirement Plan. Mr. Ross called me about this in regard to the selection of the auditor. I called Ms. Leonis, she said she would not be at the meeting today. She said that there were some plans moving forward in regard to the selection of an auditor. This is something that the Committee should address to move forward on getting an auditor in there for the 1998 results.

Mr. Collins asked how soon do we have to have the work done. Mr. Burke replied right now you are in tax season and the auditors are quite busy. But by the time you select and interview and get them in there it looks to me like it is going to be a second or third quarter presentation by them.

Mr. Collins asked will that be acceptable. Mr. Burke replied that there is no tough standard that we had but generally speaking we have had that report out usually in the second quarter.

New Business - Mr. Morris questioned why Mr. Larry Murphy's name would show up on the report every month. Due to the circumstances concerning Mr. Murphy Ms. Black thought this question should be brought up under new business.

The Plan Attorney explained the Larry Murphy issue. A few years ago Mr. Murphy filed suit against the Retirement Allowance Committee and the CTA. Claiming his entitlement to a retirement benefit which is base upon the supplemental retirement plan. He says that both plans should be subject to this revision. This goes back to a change in regard to the eligibility for bridging rules under the supplemental retirement plan. It does not effect this basic plan it is the supplemental plan, but both retirement plans are before the court on the argument that he is entitle to this benefit. He is attempting to bridge his prior CTA service, but he was outside the time frames.

There was an executive order that was signed by Mr. Savage then the Supplemental Retirement Committee moved to rescind it. Nonetheless Mr. Murphy is suing and the CTA is anxious to negotiate a settlement of this. The CTA is putting together a proposal to make a settlement with Mr. Murphy by way of providing to him effectively an annuity to settle this lawsuit.

The settlement package Mr. Murphy is going to approximately get is $200,000. They have asked for a contribution by this Retirement Allowance Committee of $25,000 towards that to avoid additional litigation cost and to put this to bed. That is what that bill relates to.

I have said to them on behalf of the Retirement Allowance Committee I think the exposure is primarily the Authority's. Ours is expenditure because we are caught in this litigation which is really basically against the Authority. The litigation if not settled could go to an adverse ruling at the trial court. It could go to the appellate court by way of a disposition and they are asking for a contribution to this settlement.

The issue is under the Supplemental Plan you can bridge prior Governmental Service if and including CTA prior Governmental Service if there is not a gap of more than a year. Murphy is outside of that rule. Savage wrote an executive order covering a whole host of other things and striking that provision. As soon as it was called to the attention of the Supplemental Retirement Committee under the chairmanship of Anita Curtis, we caught it and rescinded it right away, but nonetheless they are saying that they have a right to that entitlement.

The judge in the trial court is sort of sympathetic to Mr. Murphy's point of view. I think he is wrong and I think that Mr. Murphy has no claim against the Retirement Committee it is really a claim on the Supplemental Plan. We do not have bridging under our Plan and it should not effect us even if we have to go to appellate court. But we do have additional exposure. We do have a risk of going up there, we have more cost and expenses.

The Authority is anxious to settle the Murphy matter if they can by providing this additional benefit to him. It may well open the door for the Authority in other litigation that we are not involved with. That is going to be a precedent in the litigation because how can you say yes to Murphy and no to everyone else that is going to be making the same basic claim.

That is the Authority's desire and they have asked that this be brought before the Committee. Twenty five thousand dollars is not a small amount of money but we could have additional cost and we could have an adverse ruling. But I think the Retirement Allowance Committee is not involved in it as much as the Supplemental Plan. That is where the whole concept of bridging is about.

The Plan Attorney said the Authority would like some indication that the Committee would make a contribution by way of a settlement for the Murphy case to be resolved.

Mr. Williams said listening to everything that the gentlemen said. I would be against it. I think we would be definitely be opening Pandora's box and we do not need this. Mr. Anosike asked the Plan Attorney what is your recommendation.

The Plan Attorney explained that it seems to me that we stand exposed. I think on the merits of the case we are not liable. This is a bridging issue, it is a Supplemental issue and it is not a Retirement Allowance Committee issue. For the Authority to resolve the matter, I think makes good sense. But I can't see the Retirement Allowance Committee making anything more than a minimal contribution just to avoid the cost of litigation and I do not think $25,000 is minimal.

Mr. Collins asked what are the chances of this continuing in court and thus court cost and attorney cost. Mr. Burke said I think the trial judge may hold against the defendants in the case which means they go up to the appellate court. You are looking as some cost. What that is going to run I cannot tell you. It could run about $10,000 or $15,000. We will have some cost defending ourselves.

Mr. Brown asked would this do anything to our fiduciary insurance. Mr. Burke replied no.

Ms. Fuller asked in light of your assessment that this suit does not involve the Retirement Board would the payment of the amount no matter how much imply or would it get the Pension involved, or would there be an implication of fault or anything like that.

The Plan Attorney answered I do not think so. There is a point and time when you can wage a large battle for principle and spend a lot of money in the process. There is a certain point and time it make sense to make a contribution to stop those litigation costs. I do not think it is a matter of conceding right or wrong on the matter. Rather than spending money with Mr. Murphy, you are spending with lawyers. I would rather get the cheapest dollars we could and get this matter behind us.

Mr. Collins stated as Mr. Morris pointed out, report after report shows $2,000 being spent. We have probably spent well over $15,000 on this case already. The way it is shaping up there may be even more money spent. If it is something where we could pull the plug on this thing and not go any further. I guess the question I would like to ask is, if Mr. Murphy gets a favorable decision at this level, we challenge and go to the appellate court can Mr. Murphy ask for more money.

The Plan Attorney replied no, he will get a decision from the trial court and that would be it. I think that the case is one that we should get out of if we possibly can. Is $25,000 unreasonable, no is not unreasonable. Could it cost us $25,000 I do not think so but yes it could cost us. I do not think spending money in the settlement is basically a precedent for liability. We have done it before because we are spending more money on these matters than they are basically worth in the long term run. So I would encourage a settlement if you could. If you give me some authorization I will go back and report it to the Authority.

Ms. Black said that Larry Murphy is not the only person out that has been saying that their time should be bridged into this Plan. I know and you know that if a decision comes to him favorably he is not going to be only one. Mr. Collins asked was there a window by which you had to make an application or something that had to be done.

The Plan Attorney replied you cannot for the bridging purpose have a gap of more than a year in service and Mr. Murphy did have a gap. That was the window that Savage by his executive order said you do not have to apply anymore if you have CTA service. My recommendation to you would be make a response by way of putting some money on the table to get out of the law suit.

Mr. Anosike asked is it possible to authorize the Plan Counsel to negotiate the settlement. Ms. Fuller asked the second suit that have been filed in federal court, is that issue only bridging CTA with CTA.

Plan Counsel replied yes, bridging prior CTA service. Mr. Murphy was with the Authority, left the Authority and came back to Authority. It is CTA service he is talking about bridging it is not bridging service from the state of Illinois or the city of Chicago. The second one is also CTA service.

Mr. Williams asked what did he base his lawsuit on. Mr. Burke replied on Mr. Savage's executive order. Mr. Williams said Mr. Savage's executive order does not apply here.

Mr. Burke agreed. That is my point. But I think that we have litigation cost in this thing and it is on going. We would like to get out of it and it does not really effect us. The judge has not bought that argument. He views it as all one employer.

Mr. Williams said the Committee will discuss this issue next month.

9. Executive Session - the Committee went to Executive Session at 11:30 a.m. The Committee adjourned from the Executive Session at 11:45 a.m.

10. Adjournment - There being no further business, the Committee adjourned at 11:50 a.m.

Wayne Ross	**Date**	**Chairman,** **Retirement Allowance Committee**