

# A G E N D A

## For the 606<sup>th</sup> Retirement Allowance Committee Meeting of July 27, 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 605<sup>th</sup> Meeting held June 22, 1999.
  4. Investment Subcommittee report.
    - a) Financial Report
  5. Real Estate Subcommittee report.
    - a) Presentation: Kennedy Niche Partners
  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) Tracey L. Payton - #13918 - (disability) - request for retro-activity to 05-01-99.
      - (ii) Sheila Watkins - #3106 - (disability) - request for retro-activity to 04-01-99.
      - (iii) Luther B. Walker - #18528 - (disability) - request for retro-activity to 07-01-99.
    - d) Presentation of Death Benefits for approval.
    - e) Presentation of Refunds of Contributions for approval.
    - f) Presentation of Bills and Remittances for approval.
    - g) Walter L. Smith III - #23119 - repaid refund of \$8,806.45 - retains original seniority date for pension purposes only - 01-13-87 - entered service date - 01-13-86.
    - h) Eleazar Cardenas - #15118 - Vested under Section 11 of the Plan - Retirement Date - 08/01/99 - request for retro-activity to 04-01-99.
    - i) Drake E. Atkins - #D3385 - returned to duty - 04-29-99.
    - i) Carl W. Summers - #D3358 - returned to duty - 06-21-99.
    - j) Joli J. Thompson - #D3402 - returned to duty - 07-10-99.
  7. Old Business
  8. New Business
  9. Executive Session
  10. Adjournment
- .....

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 606<sup>th</sup> Meeting of the Retirement Allowance Committee was held on Tuesday, July 27, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

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

Mr. D. Anosike, Vice Chairman  
Mr. R. Winston  
Mr. M. Acosta  
Mr. J. Kallianis  
Ms. S. Leonis

L. Morris sat in W. Black's stead. Alternates also present were P. Andersen and P. Beavers. 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, J. Henderson and H. McGhee 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. A revision was made to the Minutes of the 605<sup>th</sup> Meeting as follows:

Page 2, paragraph 6, line 4, change "Luke" to Loop

On a motion by Mr. Collins, seconded by Mr. Anosike, the Committee approved the Minutes of the 605<sup>th</sup> Meeting with the above change.

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

Mr. Joachimi said what we have done is preliminary. We have run some numbers on the value side of the market for the two existing large managers that you have, Fidelity and Delaware. We have added in to that list Mesirow which a local firm and Lunn Partners which is also a local firm. We have looked at several minority managers and I like to present that list to you. We can discuss it at the next meeting. I am not pushing to get rid of your two existing large value managers whose records continue to be good. We have not looked at anybody else for a long time so we are going to look at some local managers and some minority managers so you can make your decision. It happens to be the area that has the most money. We are looking at about \$500 million in that area with Delaware being your largest manager at about \$300 million and Fidelity at approximately \$200 million.

I also have here Nealon Youngblood of Pharos Capital. If you remember we had him here talking about a venture capital situation in the medical arena. We could not reach a vote last time. He is asking for \$10 million but we are saying that \$5 million might be appropriate. He has a five minute presentation for you.

On a motion by Mr. I. Thomas, seconded by Mr. Brown, the Committee unanimously approved to defer the action on the Pharos until sometime between now and the next meeting.

Mr. Brown asked about RXR. Mr. Thomas explained that RXR is a firm that came to us with an investment proposition. They came in and made several presentations. Jerry Williams was not present during one of those presentations and there was a lot of dialogue about derivatives. Subsequent to our objections RXR showed up that we had approved them. There is still a dispute. Mr. Williams had no knowledge and definitely we had no knowledge of it. It came up before the Committee once before and the Chairman at that time was Mr. Anosike. He took the liberty because of some dialogue which he explained. That is something that we are looking to resolve. Mr. Williams nor myself never did support giving him that right.

Mr. Joachimi said the investment has been made. There is money with RXR. They have a minimum guarantee of 3%. The money is there but that does not mean we can not take it out if there is disagreement within the group.

Mr. Williams said I met with Marc Rosenberg of RXR. I feel a little more comfortable with RXR, but I am still uncomfortable with the procedures. If Mr. Anosike or anyone else has a problem or unreadiness with anything in the future and until that is rectified I think we ought to make sure that everybody is on the same page, understands, and is in agreement before we move forward. We need to make sure that everybody is clear.

The Plan Attorney said there are a couple of items by way of status report to the Committee. The Committee has approved a \$15 million investment in Capri Capital investment. We are in the process of receiving documentation from them it has not all yet been received so that matter is still in the process. The same could be said about Aeltus Investment Manager which also was approved for a \$50 million equity investment. Northern Trust received that due diligence material on July 26, 1999. We have sent out the customary investment manager agreement and we are waiting for their comments. Invesco which was nominated for \$50 million we have sent out the investment management agreement and we are waiting for their comments. We are still resolving with Northern Trust the \$100 million investment in an index fund which is the S&P index fund.

I would like to call to the Committees attention to one aspect which is part of your investment fund but it is in the Real Estate area. As the Committee will recall a \$15 million investment was approved in the Walton Real Estate fund and also in the Paine

Webber Real Estate fund. Both of these funds do not have separate investment managers qualified under the normal guidelines which the Committee has. The way that it might well be structured is the Townsend Group would act as the investment manager.

The Townsend Group does have an investment manager agreement with the Committee. They are the ones as you recall are handling the CNL investment small retail centers down in the southeast. They have requested a compensation of 25 basis points for each of these two funds presuming the two funds are totally funded. That fee to Townsend would amount to \$75,000 a year which is \$37,500 for each investment. That is going to be the cost of doing that deal.

Those investments were approved by the Committee so we will proceed down that path after some direction. I think you need a vote to approve that Townsend would act as the investment manager for those two funds. You have approved the nomination of two funds it is just the structure that I am addressing now. I wanted you to be advised of the fee structure that Townsend would have.

In the minutes of our last meeting there was approval of a broker as identified in the minutes as Luke Capital it is Loop Capital. It is a local minority broker approved as one of the brokers. I discussed with Loop Capital the manner in which the Committee operates with brokers. We advised them that they should do their trades either with the Wellsley Group for the soft dollar credit and we identified four entities to trade with, Wilshire Associates, Bear Stearns, Broadcort Capital and McDonald or they should do it through Lynch, Jones & Ryan or they should do it on a direct cash basis to the Plan so that we receive some benefit. Loop Capital is receptive to go any one of those routes that we so identified.

It would be appropriate I suggest to the Committee that a new letter be sent out to our investment managers identifying the permitted brokers. I have already identified five of them and Loop would be the six one. I would suggest to the Committee to send out new letters to our investment managers picking up these five and adding Loop to it so that they are aware of that.

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 June 30, 1999 was \$1,850,233,127 with a monthly performance 3.37%.

On a motion by Mr. T. Collins, seconded by Ms. S. Leonis, the Committee unanimously approved the Investment Subcommittee Meeting.

5. Mr. M. Acosta, Chairman of the Real Estate Subcommittee, reported that there was no meeting held on this date.

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

The actuaries from Wyatt gave a short presentation which consisted of a status report on the Plan.

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

Mr. Morris addressed the Plan Attorney on the Larry Murphy issue. The Plan Attorney replied that the case is still pending. We are still involved in litigation and we have declined, pursuant to the Committee's direction any contribution.

Mr. Ross said the pension representative was having a problem with an individual. The man's name is William T. McHugh. What we need currently for him to go on retirement is a letter indicating he is disabled and unfit to work. There is a problem between personnel and workman's compensation concerning which department should give us a letter. Mr. Collins suggested to Mr. Williams that he look into the matter since this individual is a member of Local Union #308. Mr. Williams agreed.

The Plan Attorney said I received copies of subpoena's that are about to be served. They were sent to me as a courtesy. They are about to come by regular process server to the Retirement Committee from the American Arbitration Association in regard to records as a basis for a full audit examination of the Pension Office. They are not court ordered issued subpoena's. They are subpoena's issued in regard to the arbitration proceedings. If I could make before the Committee a recommendation in regard for the discussion of last week. I have prepared a draft of a resolution to be distributed. This probably should go to members for examination for discussion in the Executive Session.

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

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

7. Old Business - none

8. New Business - Mr. Thomas introduced Marcellus Barnes and Claudette Olgetree as the new individuals that will sit on the board as Board Members to represent Local Union #241 effective at the next meeting. Ms. Black will inform the rest of the Committee about the alternates.

Mr. Winston introduced Robert Smith, Vice President of Operations as his alternate.

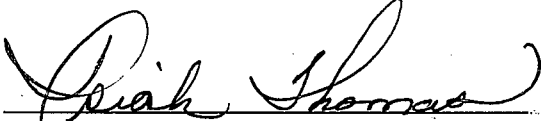
9. Executive Session - the Committee went to Executive Session at 10:45 a.m. The Committee adjourned from the Executive Session at 11:15 a.m.

10. Adjournment- There being no further business, the Committee adjourned at 11:15 a.m.

---

Wayne Ross

10/26/99  
Date

  
Chairman,  
Retirement Allowance Committee

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 606<sup>th</sup> Meeting of the Retirement Allowance Committee was held on Tuesday, July 27, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

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

Mr. D. Anosike, Vice Chairman  
Mr. R. Winston  
Mr. M. Acosta  
Mr. J. Kallianis  
Ms. S. Leonis

L. Morris sat in W. Black's stead. Alternates also present were P. Andersen and P. Beavers. 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, J. Henderson and H. McGhee 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. A revision was made to the Minutes of the 605<sup>th</sup> Meeting as follows:

Page 2, paragraph 6, line 4, change "Luke" to Loop

On a motion by Mr. Collins, seconded by Mr. Anosike, the Committee approved the Minutes of the 605<sup>th</sup> Meeting with the above change.

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

Mr. Joachimi said what we have done is preliminary. We have run some numbers on the value side of the market for the two existing large managers that you have, Fidelity and Delaware. We have added in to that list Mesirow which a local firm and Lunn Partners which is also a local firm. We have looked at several minority managers and I like to present that list to you. We can discuss it at the next meeting. I am not pushing to get rid of your two existing large value managers whose records continue to be good. We have not looked at anybody else for a long time so we are going to look at some local managers and some minority managers so you can make your decision. It happens to be the area that has the most money. We are looking at about \$500 million in that area with Delaware being your largest manager at about \$300 million and Fidelity at approximately \$200 million.

I also have here Nealon Youngblood of Pharos Capital. If you remember we had him here talking about a venture capital situation in the medical arena. We could not reach a vote last time. He is asking for \$10 million but we are saying that \$5 million might be appropriate. He has a five minute presentation for you.

On a motion by Mr. I. Thomas, seconded by Mr. Brown, the Committee unanimously approved to defer the action on the Pharos until sometime between now and the next meeting.

Mr. Brown asked about RXR. Mr. Thomas explained that RXR is a firm that came to us with an investment proposition. They came in and made several presentations. Jerry Williams was not present during one of those presentations and there was a lot of dialogue about derivatives. Subsequent to our objections RXR showed up that we had approved them. There is still a dispute. Mr. Williams had no knowledge and definitely we had no knowledge of it. It came up before the Committee once before and the Chairman at that time was Mr. Anosike. He took the liberty because of some dialogue which he explained. That is something that we are looking to resolve. Mr. Williams nor myself never did support giving him that right.

Mr. Joachimi said the investment has been made. There is money with RXR. They have a minimum guarantee of 3%. The money is there but that does not mean we can not take it out if there is disagreement within the group.

Mr. Williams said I met with Marc Rosenberg of RXR. I feel a little more comfortable with RXR, but I am still uncomfortable with the procedures. If Mr. Anosike or anyone else has a problem or unreadiness with anything in the future and until that is rectified I think we ought to make sure that everybody is on the same page, understands, and is in agreement before we move forward. We need to make sure that everybody is clear.

The Plan Attorney said there are a couple of items by way of status report to the Committee. The Committee has approved a \$15 million investment in Capri Capital investment. We are in the process of receiving documentation from them it has not all yet been received so that matter is still in the process. The same could be said about Aeltus Investment Manager which also was approved for a \$50 million equity investment. Northern Trust received that due diligence material on July 26, 1999. We have sent out the customary investment manager agreement and we are waiting for their comments. Invesco which was nominated for \$50 million we have sent out the investment management agreement and we are waiting for their comments. We are still resolving with Northern Trust the \$100 million investment in an index fund which is the S&P index fund.

I would like to call to the Committees attention to one aspect which is part of your investment fund but it is in the Real Estate area. As the Committee will recall a \$15 million investment was approved in the Walton Real Estate fund and also in the Paine