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AGENDA

FOR THE 594TH RETIREMENT ALLOWANCE COMMITTEE MEETING
OF JULY 28, 1998

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 593RD Meeting held June 23, 1998.
4. Investment Subcommittee report.
 - a) Financial Report
5. Real Estate Subcommittee report.
6. Subcommittee on General Administration
 - a) Announcement of deaths reported since the last meeting.
 - b) Presentation of Pre-Retirement Surviving Spouse Allowances for approval.
 - c) Presentation of new retirement applications for approval.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Ronald J. Piantkowski - #16977 - Discharged and vested under Section 11 of the Plan.
7. Old Business
8. New Business
9. Executive Session
10. Adjournment

RETIREMENT PLAN FOR CTA EMPLOYEES

10 SOUTH RIVERSIDE PLAZA

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RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, JULY 28, 1998, AT 8:30 A.M.

THIS WILL BE FOLLOWED BY THE INVESTMENT SUBCOMMITTEE AT 9:30 A.M., THE REAL ESTATE SUBCOMMITTEE AT 10:30 A.M., AND THE RETIREMENT ALLOWANCE COMMITTEE MEETING AT 11:30 A.M.

THE MEETINGS WILL BE HELD AT THE NORTHERN TRUST COMPANY, 50 S. LA SALLE STREET, IN THE DIRECTORS' DINING ROOM ON THE 6TH FLOOR.



RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 594th Meeting of the Retirement Allowance Committee was held on Tuesday, July 28, 1998, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

Mr. D. Anosike, Chairman
Ms. S. Leonis
Mr. L. Sanford

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

Ms. L. Fuller sat in M. Acosta's stead, C. Lang sat in J. Kallianis' stead. Alternates also present were P. Beavers, L. Morris, R. Baughn, B. Rayford and R. Winston. J. Forte, L. Smith and A. Dungan of the Pension Office Staff were in attendance. Ms. P. Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren, MacKay & Serritella was present. Messrs. J. Guerrero, C. Wesley, C. Spears and J. Henderson were also in attendance.

1. The Chairman called the meeting to order at 10:00 A. M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by Ms. Leonis, seconded by Mr. Brown, the Committee unanimously approved the Minutes of the 593rd Meeting with the following change.

On page 1, under the list of members attending the meeting, add --Ms. S. Leonis--.

4. Mr. T. Collins, Vice Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Collins reminded the Committee that Mr. Joachimi said he would give an overview of the managers that would be considered for the ongoing search.

A report was given by Mr. Joachimi on how the managers the Committee were looking at have done. He discussed three areas: small cap growth, the large cap growth area and also fixed income.

He named the managers:

Small Cap

Dreyfus - New York
Stein Roe - Chicago

Growth Area

Cadence - Boston
Janus - Denver
MacKay-Shields - New York
Montag & Caldwell - Atlanta

Fixed Income

Harris Investment
CAMCO - Chicago
Brinson
ABN AMRO (formerly Chicago Corp.)

The Plan has fired but kept 20th Century in the small cap area while the Committee is making a decision. They do not know we have fired them. We have also fired but kept NCM Capital in the quality growth area. Mr. Joachimi said we have fired fixed income managers Bear Stearns, Weiss Peck and Greer and NCM Capital. That money has been put with the existing managers Amalgamated and Chicago Trust who have done well. The \$105 million has been split into half between Amalgamated and Chicago Trust.

Mr. Joachimi discussed charts regarding small cap which showed Stein Roe did not do as well as Dreyfus in the current quarter. Most of the small cap managers did not do well and he pointed out that Dreyfus also had a negative quarter. Dreyfus only has a 5 year record and their numbers are 32.62% which beat the Russell 2000 and S&P 5000. Mr. Joachimi said Dreyfus is a very good choice if the Committee feels that way. They have a lower risk level than the average of all the small cap managers in the peer group, and Dreyfus has a performance that exceeds both the S&P and the Russell 2000. They are not accepting any money. Mr. Joachimi likes the smaller cap managers, the more aggressive managers close down because they get to a point where they cannot manage the money. Not making a decision will mean looking at new managers because Dreyfus has kept a slot open for the Plan.

Mr. Collins pointed out there were two other managers from the original 13 and when we told them we were considering them they had already closed. Some of the

better small cap managers close up first. Mr. Joachimi pointed out one was a Chicago firm Skyline and the other was Rothchild. Mr. Joachimi said they do mean it when they say they are closing. We have the slot at Dreyfus if we want it.

Mr. Collins wanted to vote one at a time because it would keep the record clear. The Committee agreed.

Mr. Williams said he is impressed with Dreyfus. He wanted to know how much would be going to Dreyfus. The answer was approximately \$73.3 million.

On a motion by Mr. Williams, seconded by Mr. Sanford, the Committee unanimously approved moving the \$75.6 million from 20th Century to Dreyfus.

Mr. Joachimi said they will take the portfolio of 20th Century and show it to Dreyfus and they may be able to take some of the stocks in kind. The Plan Attorney reminded the Committee that Mr. Joachimi had been appointed at the Committee's recommendation and approved by Northern as a special manager to handle transitions such as this. As the Plan Attorney understood it, Mr. Joachimi would have the dialog with 20th Century and Dreyfus and Mr. Joachimi will facilitate the disposition of securities and cash to be transferred.

The next discussion was on larger cap growth style managers. NCM has been released but has been allowed to continue to manage the money.

The managers the Committee had spoken to were:

Cadence - Boston
Janus - Denver
MacKay-Shields - New York
Montag & Caldwell - Atlanta

Mr. Joachimi discussed how all of the above managers have beaten the S&P for 5, 8 and for 10 years. The underperformer of the group was Cadence, and they beat the average by 30 basis points. The numbers are net of fees. There was one that Mr. Joachimi had a problem with not because of their numbers but because they are volatile and that is MacKay-Shields. None of the managers are minority.

The best performer for 10 years is Janus. Mr. Joachimi would feel comfortable with them. They are consistently above the median.

There was a discussion about fees. Mr. Joachimi insists on value over the average. He said they do not look at managers who have not beaten the average even in tough times. He said they do not worry about the fees if they feel they are getting value added over the average. The fees have never been a major thing for Wellesley.

However, they do talk to every manager and see if they will make some adjustments. Janus said they cannot have a discount for one and not for their other clients. Dreyfus is the same. The other managers are going to charge fees that are very similar to Janus' fees,

On a motion by Mr. Sanford, seconded by Mr. Williams, the Committee unanimously approved taking approximately \$73.3 million from NCM and hiring Janus in the growth area.

Mr. Williams asked several times about the search for minority managers and what was the outcome of that. Mr. Joachimi said there was not a manager, minority based, that fit our average. Mr. Joachimi said as we start to look at the rest of the portfolio, the growth and income and the value that is where we can get some minority managers in play. On the fixed income, there really was not a minority fixed income manager that fit the bill. Mr. Joachimi said Mr. Williams had mentioned some names to him previously, and he had looked at the information, and they would fit more in the areas that the Committee has not looked at.

Ms. Rayford discussed where Mr. Joachimi gets his names for the database over the last 10 years and why certain names are not in his data base. He said there are approximately 100 minority managers that provide them every quarter with numbers. We pick up the new managers as they come to us. We have a rule that they have to have a certain amount of money and certain amount of years before they are looked at. Until we got the set aside program/emerging manager program we were really left out of talking to someone new. However, the existing managers have been in their database for a long time. There are approximately 12 to 13,000 managers out there and he said they do not have all of the managers in the data base. Mr. Joachimi said they will look at any manager and will verify the data, and they will be put in Wellesley's data base. Mr. Joachimi said they have the major minority managers in their database now. We did look in the small cap and large cap area growth for emerging managers, and there really were none that met the goal. Our goal is that the managers have to beat the index for the proper amount of years and if they do not beat the index, they will not be in the search. He suggested again that the Committee members give him names, and he will check on them. Mr. Collins said the record shows that Mr. Joachimi made the request of each committee members to bring in names of people for consideration.

Mr. Joachimi told Ms. Rayford that every manager out there is not in their data base. The managers who have a track record are in their data base. Many of the minority managers do not have a record so they are not in their data base. Wellesley goes to a great deal of conferences so they pick names up all the time. Clients give them names of managers who are more locally oriented. Wellesley has their own data base and do not buy their data base.

Fixed Income Managers - Ms. Leonis wanted to hold up voting on this group. She felt she needed more time. Mr. Thomas agreed.

Mr. Anosike said that the Committee is on record at the last meeting that we would vote on this. He suggested there should be a vote.

Mr. Collins did not feel this grouping was as critical as the last two. They did take the money we did place it as hot money and they are performing. If there is unreadiness that should be recognized and move forward.

Mr. Joachimi said the tough decisions have been made and at some point if the Committee is not ready, he felt comfortable with the fact that two good performers in fixed income have that money. He found this to be a little less critical than the others.

Mr. Williams felt we should be taking our time voting on Harris and that when we do move, we move in the right direction.

On a motion by Mr. Sanford, seconded by Mr. Lang, the Committee voted as follows regarding hiring Harris Trust as a money manager.

VOTE ON HARRIS

Isiah Thomas	No	Susan Leonis	No
Wanda Black	No	Louis Sanford	Yes
Tom Collins	No	Dennis Anosike	Yes
Loid Brown	No	Marcel Acosta (L. Fuller)	Yes
Jerry Williams	No	John Kallianis (C. Lang)	Yes

The motion did not pass.

Mr. Collins said there was a request by some members to take another look at this group to become more familiar. He suggested we go forward with that in mind and become more familiar with the group.

Mr. Joachimi was asked his position. He felt there should be a third manager, and we should even them out a little more, but you do not just hire a manager and give them \$20 million. Mr. Collins asked what happens if it stayed where it was and what the consequences are. Mr. Joachimi said remember we kept Amalgamated and Chicago Trust and the numbers are good. We should feel comfortable, and they are managed properly. However, I think you should have a third manager.

Mr. Sanford said we had a good relationship with Harris over the years. What is the process we are going to use to get additional information. He asked if there is

some information all the Committee members should have access to it. Mr. Collins said if there is any information provided, the Committee will receive a copy.

Mr. Winston said the Committee started out with a criteria that was to be followed. His question was to Mr. Thomas - if the money is kept where it currently is, does it meet the criteria. Mr. Thomas said he did not feel anyone is suggesting keeping it where it currently is. It is just some members have an unreadiness to vote on a new manager today in this group. It is understood this money is temporarily managed by the existing managers.

Mr. Lang made a clarification about Harris that we did not fire them. Harris went out of that business.

Mr. Joachimi said with regard to Weiss, Peck Venture Capital distribution of shares when a company has gone public, the Committee should sell the shares as quickly as possible because they are not managers.

The Committee wanted information on Ark, and Mr. Smith said he would obtain the information since Mr. Ross is on vacation.

Mr. Burke said he will prepare termination letters to NCM and 20th Century.

Ms. Newton said Northern has received information from Mentor. ABN AMRO is near the end of due diligence. Northern is still awaiting information from RREEF and Delaware.

Piper Capital is completed.

Mr. Burke is writing a letter to the Committee on the new fee structure of Morgan.

Northern is working to get information on Weiss, Peck due diligence. Weiss may be reluctant to give operating or financial history. Northern's lawyers are getting together with lawyers from Weiss. There will be a follow-up with Weiss. Weiss, Peck establishment of new funds - Mr. Joachimi has approved of this.

The Plan Attorney stated Northern has requested a modification of the investment policy stating cash would be invested in Northern's collective short term investment fund. Mr. Joachimi said he has no problem with this.

Mr. Lang asked about emerging managers and where we stand. Mr. Joachimi said it was decided to go to equities and fixed and then we would take care of emerging managers. Mr. Joachimi said we have growth and income and basic value, and we have asset allocation to look at when we are looking at all this. We have to look at expanding our international allocation.

Mr. Anosike asked if there was a reason we cannot do both value and growth and income at the same time. Mr. Joachimi said that is fine, we can look at value and growth and income and fixed income which is not finished.

Financial Report - Lewis Smith then turned the Committee's attention to Report of Deposits, Disbursements and investment in the Trustee Summary and noted that for the month of June, the performance for the total fund was 1.59%, and the value of total assets of the Plan as of June 30, 1998, amounted to \$1,841,458,731.

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

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

Mr. Burke reported that the Lake-Wacker transaction is moving forward. The Fund has received a \$1 million in non-refundable earnest money.

Townsend - Mr. Burke spoke to Townsend regarding the month to month contract. They have agreed to that. This contract will continue until terminated by the Committee. Mr. Thomas asked about REIT's, and the Plan Attorney said he will ask Townsend to make a presentation.

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

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

Mr Collins requested approval of items 6a through g.

Mr. Forte reported that out of the 28 retiring August 1, 18 were leaving under the Incentive Program.

Mr. Sanford had a question why a refund of contributions to Rolando R. Sori was listed for June and July. Mr. Forte took him out of payment because the paper work was not available to give him the refund in June.

Mr. Thomas asked about CTA contributions to Plan for union officers. Mr. Forte said no contributions have been made as yet. Mr. Thomas again brought up the subject of litigation against the CTA with the Plan Attorney. He said the arbitrator stated the union did not need to send more documentation in order for the Authority to put the money in the pension plan.

Mr. Anosike said he does not feel there is any need to engage in litigation. He believed it was the direction of the Plan to resolve the situation.

The Plan Attorney stated the standard has been adopted by this Committee in its rules to accept W-2's. The Committee has agreed to this. The union officers, except for two according to Mr. Forte, have supplied their W-2's. That is why the CTA has not proceeded. The part time union officers are being handled on a case by case situation. W-2's have been received from Tom Collins, Isiah Thomas and Leonard Morris. W-2's have not been received from Wanda Black and Jose Guerrero.

Mr. Thomas said the CTA has not sent in the matching funds for the officers who have sent their W-2's and that should be sent. Mr. Williams asked if they matched funds for himself and Ms. Rayford. No funds have been sent to the Pension Office since 1995. Full time officers data has been supplied to CTA.

Mr. Collins said it seems the proper information for 308 and the 3 officers of 241 has been given and CTA is reluctant to match the funds. Ms. Leonis answered they should send in the remaining W-2 forms and see what happens next month.

Mr. Morris asked who was responsible for legal fees. When the members take the Committee to Court, who pays that? The Plan Attorney said it would be the insurance company. Mr. Morris said there are many union members who are reinstated with back pay. How can we tell if the CTA is matching that money. Mr. Forte said he would get that information and present it at the next meeting.

On a motion by Mr. Brown, seconded by Mr. Sanford, the Committee unanimously approved the General Administration Meeting.

7. Old Business - Mr. Lang discussed having a court reporter at the meeting. Mr. Sanford suggested having a court reporter to take the minutes and actions taken should be reported by the Secretary. Mr. Collins brought up the fact that in all of the 590 meetings prior to April, 1998 there was no need for a Court Reporter. The April meeting was the exception rather than the norm. The minutes have served the purpose for as long as this Committee has been meeting. This is a big expense to the Plan which we do not need. Mr. Burke brought up the fact that next month it should be put on the agenda a vote on the February, March and April minutes. The Committee will be sent copies of the minutes for these months to refresh their memories.

A motion by Mr. Thomas, seconded by Mr. Williams, requesting that the part time union officers be given retro back pay from the date of the arbitration award. This did not pass. These 15 executive board members had put their papers in for the incentive program. They have been denied a date. Mr. Thomas said CTA and the

union had a dispute. They agreed to go to arbitration and there is no need for documentation. The CTA disagreed. The Arbitrator said the union did not have to bring in papers for calculation. Whenever the CTA lets the individuals retire, there should be back pay from the time of the arbitration.

Mr. Anosike stated the Plan Attorney would have to advise the Committee on the legality of doing the above. The approval of this is up to the CTA, and he felt the motion was not appropriate.

8. **New Business -** Mr. Baughn asked where will we be when the contract expires. Everyone who signed up for the incentive program should be off the property by the time the contract expires December 31, 1999. Does this come back to the Committee to make a decision. The Plan Attorney said these individuals have a specific claim against the Authority for not receiving their date. Arbitration is between those individuals and the Authority. The point is they are entitled to the retirement but this is between the Authority and the individuals. This does not come back to this Committee. Mr. Baughn said they have the responsibility to release everyone under the incentive agreement. He felt it comes before the Committee. Mr. Burke said no one should be left on the property under the incentive program after December 31, 1999. If the last date is December 31, 1999 and their papers are in order, then they come before the Committee if they have not received a date. Mr. Sanford said the last date CTA can keep anyone is until January 1, 2000 and still be within the contract. The Plan Attorney said after that time, they are fully entitled to come before the Committee if it is after that date.
9. **Executive Session -** will have one next month.
10. **The Committee unanimously agreed to adjourn at 11:00 A.M.**


James Forte



Chairman,
Retirement Allowance Committee

Dated: 8/25/98

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