

AGENDA

For the 608th Retirement Allowance Committee Meeting of September 28, 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 606th Meeting held July 27, 1999 and the 607th Meeting held August 24, 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) Valerie A. Robinson - #13544 - (disability) - request for retro-activity to 09-01-99.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Linda L. Homme - #15558 - Resigned and vested under Section 11 of the Plan.
 - h) Jennifer Cribbens - #D3395 - returned to duty - 09-13-99.
7. Old Business: Travel Policy
Mr. H. McGhee
Plaques from 191 Wacker
8. New Business
9. Executive Session
10. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 608th Meeting of the Retirement Allowance Committee was held on Tuesday, September 28, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

Ms. W. Black, Chairman
Mr. L. Brown
Mr. J. Williams
Mr. M. Barnes

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

L. Morris sat in C. Ogletree's stead Alternates also present were P. Beavers, B. Rayford, L. London, M. Caffrey and R. Smith. 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 were 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. Revisions were made to the Minutes of the 606th and 607th Meetings as follows:

The 606th meeting:

Page 1, last paragraph, 1st line, should read as follows "what we have done is preliminary."

Page 1, last paragraph, 3rd line, should read as follows "Mesirov" not Miserov.

Page 2, 6th paragraph, 6th line, should read as follows "diligence" not diligent.

The 607th meeting:

Page 11, paragraph 2, 1st line, should read as follows "Mr. Paravola stated that Mr. Burke said" not Mr. Burke said.

On a motion by Mr. Williams, seconded by Ms. Leonis, the Committee approved the Minutes of the 606th and 607th Meetings with the above corrections.

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

Mr. Joachimi said with regards to the value side what we have to come up with is a date. We are going to have people coming in from basically all over the country. You have to give them more than ten minutes. Therefore a special meeting is very important so they can tell their story.

Mr. Williams said in order for us to get on the same page and continue to make sure that this pension plan does what it is suppose to do and what we should do as fiduciaries. That the Chairman of the Investment and the Vice-Chair and maybe the Chairman of the Committee and the Vice-Chair and the Consultant can sit down and talk about where we are and where we need to be. I think it is essential that we do that.

Mr. Joachimi discussed the international side. We are at approximately 5% and the question was should we be getting to our 10% allocation or not and how would you do it. What you see on these numbers is where Morgan Stanley and The Bank of Ireland who are your managers, fits on our risk reward chart. As you can see your two managers have done extremely well.

If we are going to expand, which means we have to take some money from other areas my recommendation would be I like the expansion to the 10%, but I do not think we have to have another manager. I think we have two very good managers: Morgan Stanley is in the larger stocks and the Bank of Ireland is in the smaller stocks. My recommendation would be that any expansion we do in the international side I would recommend that we move it closer to ten but we keep it with the managers that we have.

Ms. Rayford asked for the information on the companies she requested from Mr. Joachimi.

Mr. Joachimi said he has the list and he will redo through June or September and provide all the data that he normally have.

The Plan Attorney gave a status report. We are moving ahead in regard to various changes in investment managers. There are seven managers who were in the process of pending moving through totaling some \$250 million. Walton Street Capital \$15 million, Capri \$15 million, Paine Webber Real Estate fund \$15 million, Aeltus Investment Management \$50 million, Invesco \$50 million, Northern Trust \$100 million and Pharos Capital \$5 million. That is 7 managers \$250 million which will be moving in to those investments. Three of those managers which I have just identified Capri, Walton and Paine Webber are in the real estate area. Each of those we need to put an investment manager in place. We have spoken of Townsend being in that function just as they are with CNL. Townsend initially said they would take on that additional fiduciary responsibility for 25 basis points. If you add the 25 basis points on an accumulative basis for these people it comes up to be a pretty large sum. I suggested to Townsend that they revisit that fee structure and come back to the Committee. They said they would be happy to do so. I think we should move down that path with that

structure but with the fees unresolved until Townsend does come back on the fee structure.

With each of these moving forward. The Aeltus documentation is out, the Invesco documentation is out, Northern Trust I have a letter of direction for the Chair to sign.

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 August 31, 1999 was \$1,772,984,173.00 with a monthly performance -1.44%.

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

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

Mr. Acosta said that Mr. Berlin will be here next month. In respect to the value search we have \$10 million left for allocation to either Kennedy or TA Associates. I have been informed that Kennedy has upped their minimum cost to their investment price to \$20 million. Mr. Berlin is investigating that and he will get back to us.

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

6. Ms. Black, Chairman of the Retirement Allowance Committee reported on the General Administration Subcommittee meeting held this date.

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

Mr. Brown asked about Mr. Mulcahey. The Plan Attorney responded that Mr. Mulcahey had filed a suit against the CTA by claiming benefits. We have been able to dismiss the suit. He was claiming he is entitled to benefits under a filing situation. It was an error it was not a claim against the Authority. That suit was dismissed on motion. Mr. Mulcahey's heirs pointed out that the proper party was not the Retirement Plan. He did not have a basis for recovery. He is voluntarily withdrawing the suit.

Mr. Brown said I would like to bring up a letter that was sent to Elonzo Hill, May 6, 1997. Jerry Krasowski had been diagnosed with cancer and for every month he put in for his pension hoping to live until the Voluntary Early Retirement Incentive Program (VERIP). He died in February of 1997 before the incentive program was instituted. His wife was looking for us to giving the full survivorship option to give her a full pension.

The Plan Attorney said that this was one of those individuals to whom the Voluntary Early Retirement Program was extended even though he had not applied for it. Because it was during that hiatus between the arbitration award and the beginning of

that period. The difficulty that the Committee faces on Mr. Krasowski is that the paper work that is required by the Plan for the change of a surviving spouse option should be in the Plan office upon retirement. Mr. Krasowski never effectively retired. The paper work was apparently in his home it was never delivered to the office in regards to the election to go from half to a hundred percent for the spouse. The Committee has considered this some time ago.

It is a particularly difficult one because apparently Mr. Krasowski had the intent of providing a 100% benefit to a surviving spouse, but the material was not in the Plan office. Historically that has been the case you have to have it in there. If the Committee chooses to honor the request of Mrs. Krasowski my only concern is that you are going to open the door. You are always looking at precedence in situations where this may come up again. Historically we find that when we do make a decision such as this, in Mr. Krasowski case, that it is going to be cited to us again in the future. There is going to be a precedence.

Mr. Morris said when you have twenty five years or more the contract says you will get the surviving spouse whether you put in or not you had to wave that. This Committee does not have the right to violate that. You do not have that power. What we did with the contract is if a person died before he got his date he would be in the VERIP to get the percentage. We do not have any paperwork in this contract that says that we can change the surviving spouse option at this Committee level. You get one half according to the contract or else you make that option before you retire. If that was not done this Committee does not have the right to move that to 100%.

Mr. Burke said Mr. Krasowski did not submit the retirement application because he died before that point and time. He well may have had the intent for his spouse to have a 100%. The way the rules work under the Plan are you submit your survivorship option at the point and time you submit your retirement papers. He never did. He never effectively submitted the survivorship option. He passed away.

Ms. Black said a letter should be forwarded to Mrs. Krasowski to let her know that according to our Plan we do not have that authority to increase it. The contract calls for a certain amount and that amount have been forwarded to her. We can not move it from what we have in the contract because he did not put in his papers.

Ms. Leonis asked how many people would we ever have that would die in a situation like this. What kind of precedent are we setting.

Ms. Rayford said that Local 308 has had three people with similar incidences where they were eligible and they died prior to retirement.

Mr. Morris stated that Local 241 had quite a few.

Mr. Ross said that there has been a couple in the general office where they passed away and it was after the submittal date. The spouse wanted the A 100 option and they ended up just getting the ½ option.

Mr. Williams asked does that policy work for us. Is there something we need to look at.

The Plan Attorney answered during your next collective bargaining you should take a look at this. My view would be all you need do is allow the individual prior to filling the retirement papers to file a spousal election. They can file it at any point and time. Then it is on record. They should not have to be in the position when they retire they did not file a spousal election. There is no damage done what so ever if they file the spousal election six months before or anytime you so wish. Then you are in a position to address these situations where the person may have the intent or may not have the intent.

Sometimes the people will not want the spouse to get that because they want a little bit more during their own individual lifetime. There is an economic impact to the decision. But I think if you open the door by way of seeing if the person could file the election like they file the beneficiary designation for insurance earlier you address the issue.

Mr. Ross said that under the incentive there was a proposal that at the time they decided to participate through the Incentive Program they could then at that time the election make the survivorship option as well. As soon as they accepted the incentive that is when they had to make a choice on the option.

Mr. Kallianis said there was a window by which he was stuck in a difficult position because he could not file the form with the CTA until March 1, 1999. He ended up passing away on February 15, 1999. He could not have taken advantage of this program.

The Plan Attorney said technically speaking he could not have taken advantage. The Committee early on once the Voluntary Program Retirement was a Program said we will give the benefits of the Voluntary Program to anyone who was so qualified but who might have died before they could participate in the Program. That is how Mr. Krasowski got the higher benefit. He retired under VERIP. Pursuant to the Plan his spouse got a half. Mrs. Krasowski is raising the issue that my husband really wanted me to have a hundred percent.

Mr. Morris said if that was sitting in somebody's office and we get affidavits then we could deal with that. If it was at home then this Committee has no right to deal with that.

The Plan Attorney said I will talk to Mr. Haenisch.

Ms. Black said that Mr. Krasowski will be added to our agenda next month.

The Plan Attorney said the president of the sheet metal union called about Mr. Campani who works forty hours a week for the CTA and after hours worked as a secretary treasurer for the union. The union's desire that Mr. Campani's request that his pay from the union as a part-time union officer be aggregated in eligible pension earnings. If you

look at the provisions of section 3.9 of the Plan in regard to what is compensation for purposes of this test.

For such individual in part-time positions the total earnings paid to the individual by the Authority or by the Committee, plus the total earnings paid to the individual for services in such part-time positions both before and after December 1, 1989 by the association. (The association is defined in the Plan as 241 and 308) or it's international office. Or by the office of international office of the bargaining agent representing employees of the Authority. That is eligible pension earnings.

The language provides eligible earnings include earnings paid by the bargaining agent representing the employees of the Authority. This union represents a few employees of the Authority as their bargaining agent. The test to be applied in determining how to make a measurement of those earnings you need to go back to the arbitration award that was entered in April of 98 between the Authority and 241 and 308. It speaks of how do we determine pension eligible earnings for part time positions. It says, for part-time positions for local unions they will be limited using the two options in rule 14 as amended in April 21, 1998.

The motion recent form of rule 14 that we have was adopted in 1991 provides how we measure earnings. That amendment took the place of one that have on the books going back to 1980. The 1980 amendments states that when you are looking at the calculation of pension eligible earnings you look at two options which the union can pick. Those options are the rate currently in effect for that job classification multiplied by actual run time, plus shift differential, plus 5% to represent over-time, or you look at the last classification that held up the rate currently in effect for that classification multiplied by 8 hours of straight time plus 5% to represent the average over-time.

The arbitration award that was entered back in 1998, went back to that old position. The position that was in effect with this Plan back in 1980. Looking back at Mr. Campani and the other part-time union officers you have to go back to take a look at what the arbitration award says. Which re-institutes that formula which I just reference.

Namely basic time computed including 5% adjustment for over-time. It goes on to say that it capped at 20% for the period July 1, 1996 to April 30, 1998. From May 1, 1998 up it is capped to 10%. Then it goes on to provide to get that there has to be adequate documentation showing payments by the local unions for CTA related work performed by the union. Therefore, in Companies situation, it would seem to me that he is entitled to have pension eligible earnings including those earnings from that union. But it has to be CTA related work. It is going to be a little sticky to find out how we calculate that because I do not know how many employees he services in that area.

Mr. Anosike said a few months ago in respects to the pension eligible time with anybody with a part-time position this Committee said that we will look into that to make sure that there are no conflicts in respect to time for CTA or the Union. I do not see us moving forward until we resolve this situation.

The Plan Attorney said we say to Mr. Agrela that individual will have pension eligible earnings but we need to have a break down in regard what was his CTA related work. How do we determine the amount of the CTA related work. How do we determine the amount that had to do with other employers. That same text that I just described would apply to some of the calculations which we are going through in regard to other people here. We have the same calculation to make with Lindon McCollum in regard to this that we are going through in working with Mr. Ross' office. We will stay on that with Mr. Ross during the coming weeks and have a report as to how we are progressing.

The Plan Attorney continued. At the last meeting in August there was a question raised once again in regard to Mr. McGhee and the setting of his retirement date. We advised the Committee at that point and time that was the prerogative of the Authority to set his date. Pursuant to the Committee direction I wrote to Mr. Czech on August 27, 1999 and asked that he review my earlier letter to him on June 1, 1999 in regard to Mr. McGhee. I provided copies of my August letter to the Chairman and the Vice-Chair and Mr. Williams. I have not had a response from Mr. Czech. This is a call by the Authority in regard to that date. The Committee is not in a position to set that date. If Mr. McGhee is not satisfied with the response if we do receive one from Mr. Czech, I think his resort to remedy would not be here at the Committee. It may well be the Arbitration process he would go through.

Ms. Leonis asked how many of these responses were not answered. We are owed a response.

Mr. Morris said they paid Mr. McGhee's health insurance and continued to pay his health insurance until the matter was cleared up. For all those months that Mr. McGhee was in 605 he had health insurance. The only thing they did not pay for Mr. McGhee was giving him a date and giving him a check. They ruled in his favor but now they do not want to go back and pay him the back pay. The question to the Committee if they rule negative where do we go from there.

Ms. Leonis said we will meet with Mr. Czech try to deal with this.

The Plan Attorney said the Retirement Allowance Committee has been sued by an institution called Funeral Financial Systems Limited for \$1,750. There was a CTA employee named Sherman Martin who died. After his death the Funeral Financial System came to the CTA and said we have a assignment of death benefits from Mr. Martin and we want to be paid from his death benefits. We advise these people of the Funeral Financial System that the Committee pursuant to the Plan does not recognize assignments or claims by creditors such as that. We are not in a position to send that check basically to the system, but what we would do basically as we have done in the past is make the check out to the designated beneficiary and they could work with the designated beneficiary to collect. If we sent the check as so indicated to Mr. Martin's spouse she did not get the funeral bill.

The Funeral Financial Systems is now suing the Retirement Plan for the \$1,750 saying you promised us that you would make us whole. Mr. Gates sent to us a memorandum

he memorialized this conversation in this memorandum with Mrs. Lenny Martin on a three way conference call on June 30, 1998. Mr. Gates memorandum states that Mrs. Martin instructed him to mail all benefits due to her to her home address. She indicated that she would then pay off her outstanding balance owed to the funeral parlor with a personal check once she received the billing from the funeral parlor. The funeral parlor people said that did not occur you promised us you would pay the money to us.

You got a situation. We have got a law suit for \$1,750. I think he is wrong and I think the funeral people are wrong. We have never paid these type of benefits. The Plan specifically provides that the benefits under the Plan are free from the reach of creditors. We have had over the years thousands of creditors approach the Retirement Office claiming an obligation owed by the beneficiary. We have said that these benefits can not be assigned. That is usually the case for any qualified pension fund. I think that we should say no. But I am going to say to you that we are going to trial on this one because these people are suing. We are going to have to spend some time and money to defend this kind of situation.

The Plan Attorney continued. A partner in my office represents the family that is involved with Funeral Financial Systems. If the decision of the Committee would be to resist the claim I would then suggest we get counsel specifically to represent the Committee on this case so there is no perception of a conflict.

The language of the Plan is very clear. We do not assign. What Mr. Abram's, the fellow behind the funeral home is going to say is Jim Gates told me he would pay the funeral parlor bill. It is going to be Mr. Gates testimony saying we never pay assignments. It is going to be a question of credibility. The rule of the Plan should not be challenged. It is what was said in that telephone discussion between those two people. The burden of proof is with Mr. Abram's.

The Plan Attorney recommended that we protect the rule and I would offer him fifty cents on the dollar to get the matter behind us because you do not want to see more pension assets used for legal cost than need be.

On a motion by Mr. Morris, seconded by Mr. Williams, requested the Committee to approve the recommendation of the Plan Attorney.

There was a hand count of members. The motion did not pass.

The Plan Attorney said I will just wait and hear from Ms. Black and see what the exact amount will be and advise the people that we will resist the claim.

Mr. Ross said in regards to the office I know that the two postings that we had are outstanding and have not been completed. We also had a request in for the secretary's job. This is basically in response to the fact that last month materials were very late. Carleton Lewis has been doing the minutes as well his regular duties plus he is going to be going into and trying to pick-up the pieces when Irma Muniz leaves who currently does the insurance work. We have a temporary right now that does the front desk and

my suggestion is to go out to this temporary service and get a higher powered temporary that is able to do the minutes for us as well as sit at the front desk. Ms. Muniz is going to be leaving at the end of the year and Mr. Lewis has been doing double duty and I was just think of that as an alternative until the two postings are solved and the secretary's job is posted.

Mr. Morris said I have a little reservation. The minutes are very important. I do not think that the minutes should be taken by a temporary employee.

The Plan Attorney explained the packages of information distributed on the guidelines on seminar selection and related travel expense guideline. These were the guidelines that were adopted back in 1993 by this Committee. They were adopted because of our desire to protect the Committee from an IRS challenge that the moneys were improperly used. The thrust of these is for educational expenses for the attendees. I recall to your attention that in the guidelines there is very specific provision which I do not think has been honored. It provides each attendee at a seminar must report to the Committee in written or oral form on the subject matter of the seminar. That report does not have to be of any specific length, but there has to be a report filed in written form or orally if we are going to either live with guidelines or not. The Committee adopted them. They were prepared to address IRS concerns about the usage of funds of the Plan. I would encourage people as they attend these seminars to file a report or give an oral report as to what the subject matter of the seminar is to be consistent with the guidelines, and to address the concerns which the IRS has in regards to using these funds.

Ms. Rayford gave an oral report on the seminar that she attended on the Public Pension Plan certification program given by the International Benefit Foundation at Depaul University.

Mr. Ross said I just recently got an invoice from the International Foundation of Employee Benefit Plans. The annual dues to belong to that foundation is \$525. I want to see if we want to continue that membership for the year 2000. It is \$525 a year for those dues to belong to that foundation.

On a motion by Mr. Brown, seconded by Mr. Williams, the Committee unanimously approved to pay the International Foundation of Employee Benefit Plans annual dues.

Ms. Rayford asked for a Y2K update in regarding the status of the pension office and the pension contributions from the Authority regarding the part-time board members.

After further discussion by the Committee the Plan Attorney reiterated that between now and our October meeting we will sit down with Mr. Ross and see we can work through a methodology in regard to making that calculation based upon the award. Then we will share it with the Committee members either in advance of or at the next meeting.

The Plan Attorney said just for a point of clarification I think the test of what is adequate documentation is an issue for this Committee. You administer the Plan. This Committee has the prerogative to say what is adequate documentation.

On a motion by Mr. Williams, seconded by Mr. Brown, the Committee unanimously approved to have some members of the General Administration Committee meet with Mr. Ross and the employment office in order to fill the two positions in the Pension Office that are up for bid.

Ms. Black requested approval of items 6b through 6i with i being the filling of the jobs in the Pension Department.

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

7. Old Business

The Plan Attorney said the plaques are not at the CTA. They have been returned. I am advised by the CTA through the Daughters of the American Revolution, to the city of Chicago. They are in City Hall. I presume Alderman Burke who expressed interest in this initially some how arranged for there display in the city.

Ms. Black suggested to the Plan Attorney that if the plaques belong to the Retirement Allowance Committee and if the City wants to purchase them lets get a value on them. If we want to loan them to them it should be something in writing saying that they are on loan to City Hall but they are property of the Retirement Allowance Committee. Upon request they are to be returned back here.

8. New Business

Mr. Anosike said since we have a new set of auditors a set of issues have come up. Ms. Rayford has raised two in respect to Y2K and the very last thing we talked about was documentation issues. What are the right documents for this Committee to use in determining compensation. Issues that were talked about in the past such as disability reviews. I will suggest or I will make a motion for this Committee or to select the General Administration Committee to meet with those auditors to give them a better view of the areas they ought to be looking at as they go into that process. Since this is the first audit they are going to conduct for the Committee and given the skeleton staff in the Pension office. We meet with them and at least point them in of the right direction.

The Plan Attorney explained that frequently when auditors come in they do meet with management. They meet with management to get some sense of the directions and issues that is in question. These are new auditors we do not have an Executive Director. Who does the auditor speak with in the sense of direction and who do they raise issues in regard of the management letter. An audit always is accompanied by

the public part that goes out to the world and a management report which goes to management. Effectively the management of this Plan is sitting around the table here. You are the managers you are the fiduciaries of the Plan. If I am understanding Mr. Anosike's motion, he is addressing that void in regard to the roll of the management structure.

On a motion by Mr. Morris, seconded by Mr. Brown, the Committee unanimously approved that the Chairman and Vice-Chairman of the Retirement Allowance Committee will meet with the Hill & Taylor Auditors.

Mr. Caffrey spoke to the Committee on the issues he read in the minutes concerning him and the travel policy.

Mr. Kallianis explained that at that time the policy itself was flawed. Now that we have gotten the policy we have found out that yes in fact it has to come to the General Administration meeting prior to anybody being approved for travel. That policy is fine. We were operating under the assumption last month some people had said that there was no requirement for the General Administration to approve that. If that was the policy then it was flawed. We have since found out that is not the policy. The policy that we have we have to come to the Committee for approval.

9. Executive Session - none

10. Adjournment - There being no further business, the Committee adjourned at 12:15 p.m.

Wayne Ross

Date

10/26/99

Wanda J. Black

Chairman,
Retirement Allowance Committee