

AGENDA

For the 610th Retirement Allowance Committee Meeting of November 23, 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 609th Meeting held October 26, 1999
4. Investment Subcommittee report.
 - a) Financial Report
5. Real Estate Subcommittee report.
6. Subcommittee on General Administration
 - a) Announcement of deaths reported since the last meeting.
 - b) Presentation of Pre-Retirement Surviving Spouse Allowances for approval.
 - c) Presentation of new retirement applications for approval.
 - (i) Charles Lyons - #13066 - (disability) - request for retro-activity to 05-01-99.
 - (ii) Ferdinand Ortiz - #9389 - (disability) - request for retro-activity to 10-01-99.
 - (iii) Ronald J. Kornfiend - #11854 - applied for Disability 10/1/99 retro-activity to 09-01-99 (not eligible - insufficient service - entered service 4/26/89 - pension seniority 4/26/90)
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Julio Velandia - #D3390 - effective 3/1/99 - returned to work - 11-08-99.
 - h) Yvonne Davis - #D3401- effective 3/1/99 - returned to duty (FTT) - 11-15-99.
 - i) Albert L. Moffett - #4254 - effective 11/1/99 - returned to duty - 11-01-99.
7. Old Business: Mr. H. McGhee
Mrs. Krasowski
Jose Salis
8. New Business: Disability Pension Report
9. Executive Session
10. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 610th Meeting of the Retirement Allowance Committee was held on Tuesday, November 23, 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
Ms. C. Ogletree

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

L. Fuller sat in M. Acosta's stead. Alternates present were I. Thomas, P. Beavers, B. Rayford, L. London. W. Ross and B. Phillips 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. Attorney D. Stanton for Union Local #308 and Attorney K. Sweitzer for Union Local #241 were present. Messrs. C. Wesley, C. Spears, 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 609th Meeting as follows:

(revised minutes are included with the December 28, 1999 meeting material)

On a motion by Mr. Brown, seconded by Mr. Williams, the Committee approved the Minutes of the 609th Meeting with the corrections that are to be forwarded to each Committee member. There are typo corrections and also the conversation Mr. Berlin had which explains his responsibility as far as his request for an increase and the amount of money they are charging us for the added responsibility.

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

Mr. Joachimi said the booklet I passed out to you because there are questions about value managers, because they have under performed in recent times versus the index or the growth index. Delaware has always been your best performer until recently. The reason is that value stocks has not been the thing lately. All I am trying to show you here is that there is a reason for value managers. They have always done well and there are periods of time when it does not look so good. You do not run away from it. You have good value manager representation. The value is the biggest under-performer in recent times. Your markets all act the same.

Nobody is down. None of your managers are negative. But you have had the gross stock side of this thing perform so well that makes the value look like it is not as good. You have different styles of managers, because there are times when one style is in and there are times when the other styles are in.

You have got several problems with the asset allocation. We have got more money in equities than we should have. We should be reducing that. We have the approval to increase our international to 10%. The money from Oppenheimer will be moved by the end of this month. We finally got the list from the bank. There will be some liquidation. The way that is going is approximately \$100 million to the index fund at the bank, \$50 million to Aeltus which is the index plus and \$50 million which is the index plus with Invesco. That should be completed by early next week.

The Plan Attorney said that one of the other equity managers which had contemplated an investment with is Pharos Capital, a \$5 million commitment. Pharos was one of the entities identified in the scandal in Connecticut in regard to the improprieties of the State Treasurer who was taking kick backs from entities who would bring investment managers. The State Treasurer would make a commitment and the finder would pay the State Treasurer. The State Treasurer has been indicted. Pharos was one of those entities identified in that process. But that was really an improper identification. We spoke to the attorneys handling the investigation at the State of Connecticut and Pharos did not pay any money to any finder. Pharos is not a subject matter of the investigation. From our investigation there does not appear that there is anything improper in so far as Pharos' involvement with the State of Connecticut.

Ms. Black said then they can move forward.

- 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 October 31, 1999 was \$1,789,086,178 with a monthly performance 2.83%.

On a motion by Ms. Leonis, seconded by Mr. Winston, 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.

The Plan Attorney advised the Committee on a few pending matters. The Jeffery Manor shopping center transaction is scheduled to close on November 30, 1999. Every expectation is that it will close. In regard to the Elk Grove property that particular piece of property is moving forward to closing. The purchaser has provided thus far \$40,000 in non-refundable earnest money. An additional \$60,000 dollars is due today if they wish to extend the due diligence for an additional 30 days. The contract which we structured called for these periodic non-refundable deposits of earnest money if they wish additional due diligence period. They have two more extension periods available

to them. One would be December 23, 1999 which would call for \$20,000 and final one of \$25,000.

The last piece of property is the Lake/Wacker property which is under contract. We have \$2,250,000 of non refundable earnest money on deposit with the Plan by the Hines Development. They have retained architects, they have gone through the city approval, they have proposals out and they have serious negotiations going on with one lead tenant. They are indicating that they have some positive responses back from Equity Partners. That is scheduled to close in the spring.

Counsel addressed the question in regard to two of the real estate funds which were recommended for investment that were also involved in the Connecticut situation. Walton Street and Paine Webber each had a recommendation of \$15 million. These were funds which were recommended for investment and both were implicated in the Connecticut matter. I spoke to both the people in Connecticut and to the attorneys involved in the matter. Paine Webber did not pay any finders fees and is not implicated in the payments to the State Treasurer.

Walton Street did pay finders fees close to a \$500,000 to a finder and those finders fees were remitted back to the State Treasurer which is the subject matter of the investigation. None of our money was involved because we had not funded the investment. Walton Street takes the position that the payment of finders fees are not uncommon and as we know sometimes it is not an uncommon situation.

They would both like to proceed ahead. My own view is that they are distinguishable situations. Paine Webber is not implicated in the payments whatsoever. Walton Street did make the payments for the finder fee. I would make mention to the Committee that it is not uncommon to make payments of those fees to people that can effectively perform a sale function. They did in this context and some of those moneys did go back basically to the State Treasurer.

On a motion by Ms. Black, seconded by Mr. Williams, the Committee unanimously approved to move ahead with Paine Webber since they have not been implicated in the Connecticut finder fee scandal. Hold on our commitment with Walton Street until Townsend has been brought back in here to give there rational for there recommendation.

The Plan Attorney said in the context of these funds such as Walton Street, Paine Webber and Pharos those entities are investing there own money. They are uncomfortable, we are uncomfortable and Northern is uncomfortable by having them having a direct investment relationship. Those investments would be sub investments under Townsend if you proceed ahead and under Mr. Joachimi with Pharos.

There was a question about the fee structuring. Last month when Grant Berlin was in he indicated that they would be able to proceed ahead. They are currently receiving a fee of 25 basis points on the CNL investment. They would not do it at 25 basis points they would do it at 17 ½ basis points. Seventeen and a half basis points on these

investments would be about \$26,250.00 per year per investment. It would be appropriate to come to a decision because to do the Paine Webber, Walton and Pharos you need to have a relationship with an investment manager with whom you have an agreement, and these people fall within their fiduciary responsibility.

Ms. Black asked if we decided to terminate our relationship with Townsend what does that do for us as far Paine Webber is concerned and CNL.

The Plan Attorney answered if you were to terminate one of the investment consultants, say Townsend. Townsend still would have a separate investment management relationship with you for these specific accounts under a separate fee schedule. There are two separate relationships you have. All these relationships are terminable on thirty days notice. But if you terminated Townsend on both scores we have to have someone else fill in the Townsend roll on CNL.

Ms. Leonis asked why is it that we need Townsend to do that for CNL.

Counsel answered CNL first of all did not have an investment manager relationship and they were investing in their own deal. Walton is investing in their own deal. It is distinguished from going out in the market and buying stock of other companies.

Ms. Black further explained you have your company you make the report back. You do not have anyone overlooking what you are doing and that is why you have to have second person watching.

Ms. Leonis said so we do not consider that part of the contract that we already have existing with Townsend.

Counsel said Townsend is doing general consulting work. They are not overseeing the specific performance.

Ms. Leonis asked why wouldn't that be part of their contract with us that they oversee all of our portfolios. Why would this be separate.

Counsel said they oversee them in a very general sense and report upon them. This calls for a higher fiduciary standard to see basically the nature of the investment. It is that fiduciary risk for which they are compensated. That is their proposal to you. You can make a counter proposal back to them if you so saw fit.

Ms. Leonis said I find that very unusual. I think we have had some discussion in the past about Townsend. I would like to talk about it at some point. I do not know why that would not be under the general contract that they do for us.

Mr. Williams asked the Plan Attorney is that something we need to be looking into.

Counsel said I think you do. Because, if you are going to consummate these investments with Pharos, Walton and Paine Webber we have to have someone in that

position. We can not make these investments until we get this resolved what that fee structure is going to be. There is nothing for us to go back and say we will not pay 17 basis points we are going to pay 5 basis points or 7 basis points.

Ms. Leonis said I am not ready to make a decision on that. I would like for the Real Estate Subcommittee to do some research and tell us exactly how other funds handle this.

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

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

Mr. Barnes gave a report on refunds of contributions, deaths, retirement applications to be approved and bills for the Pension Office.

Mr. Ross said I have received a bill from The National Conferences of Public Employee Retirement Systems for our yearly dues for the membership. It is a \$400 membership fee.

On a motion by Mr. Brown, seconded by Mr. Williams, the Committee unanimously approved to maintain membership with The National Conferences of Public Employee Retirement Systems and pay the yearly due amount of \$400.

Mr. Ross said I have two travel expense statements. One is for Brenda Rayford who attended the International Foundation seminar at Depaul University for \$157.33. The second is Marcellus Barnes who attended the International Foundation Employee Benefits Plans annual conference for \$1,470.24.

Mr. Barnes and Ms. Ogletree each gave an oral report on the conferences they attended.

On a motion by Mr. Brown, seconded by Mr. Anosike, the Committee unanimously approved to accept the report of Mr. Barnes and Ms. Ogletree regarding the IFEBP conference.

On a motion by Mr. Williams, seconded by Ms. Leonis, the Committee unanimously approved to pay the two bills for the two attendees of the IFEBP conference.

Ms. Black said that Mr. Brown and Ms. Leonis has asked for permission to attend the RREEF conference to be held in February 2000.

On a motion by Ms. Black, seconded by Mr. Barnes, the Committee unanimously approved Mr. Brown and Ms. Leonis attending the RREEF conference to be held in February 2000

Mr. Barnes requested approval of items 6b through 6i. Pending information regarding - c(iii) Ronald J. Kornfiend and h) Yvonne Davis.

On a motion by Mr. Williams, seconded by Mr. Kallianis, the Committee unanimously approved the General Administration Report with the noted changes and also the fact that there are remittances to be submitted to the Retirement Allowance Committee.

7. Old Business

Ms. Black said Mrs. Krasowski as I explained to Mr. Gierut, I have no problem with her with a 100%. But she would have to get a 100% at 1.85 not the 2.40 that she requested. The reason being, everybody was under the assumption that there had been retro-activity on that 2.40, but there was not. The 2.40 multiplier went in as of April 1, 1997. Anyone that retired April 1, 1997 is entitled to 2.40 if they went out before then they were entitled to 1.85. She is entitled to the 1.85 for March 1, 1997 at 100%. We saw the intent. We can move forward with that.

Mr. Thomas asked if we do anything different are you saying that it would be illegal.

Ms. Black said you would open up the door for some other people. What we have done since the VERIP, all those that requested the 2.40 April 1, 1997 forward got it. If a person went January, February or March they did not get it. Based on the information that was brought in her husband had intended to leave her a 100% but because he died in February his first effective date was March not April. March 1, 1997 she is entitled to a 100%, but at the multiplier that was in place then was 1.85.

Mr. Thomas said that there were close to 100 people that have asked for retro-activity. There are a lot of people out there that want retro-activity. I have to agree with the Chair. If you open that one up then you are going to have problems.

Ms. Black stated we have had no retro-activity on 2.40 unless the person was eligible April 1, 1997 but put in for June and asked for retro-activity back to April. She can get it at 1.85 not at 2.40 because it was not in place at the time he was eligible for pension.

The contract says if a person is entitled to retirement and they die the surviving spouse is eligible for 50%. That is automatic. Once that is done they are entitled to 50% at what ever is in place. In her instance it was 50% of 1.85. The Committee elected to move her to 2.40.

Mr. Williams said that contractually she should have gotten 50% at 1.85, but the Committee saw fit to give her 50% of 2.40.

Counsel said the Committee gave retro-activity in the sense of anyone who died and was eligible for the VERIP before the papers were processed and died in that gap of January 1 through April, the Committee gave that to them.

Mr. Thomas said I do not understand why we have to tie Mr. McGhee into the other individual. Mr. McGhee is entitled to the retro-activity. Each one should stand on their own merit. If they want to tie them in, since we have already have given Ms. Krasowski consideration Mr. McGhee should be given some consideration.

Mr. Williams said I was prepared to move on Ms. Krasowski because I was under the impression that we did go retro-active on others. We can not do anything that is illegal or that may bring other people to try to sue to do the same thing. I think we have done as much as we can do. If we have not show where we can do something that is not illegal. Otherwise I feel we should move on Mr. McGhee's case.

Mr. Barnes stated that he to would like to separate the issues and deal with them on an individual basis.

Mr. Kallianis said I do not have a problem with separating the issues. He then asked Counsel are we going back and saying what we did prior to this, the fact that he got 2.40% prior to the time it was available to everybody else and even though he was only at 50%, are we saying that was illegal.

The Plan Attorney replied under the VERIP which came into effect in April. It was negotiated in the late fall. It really was not enunciated until December when Union and Management came to an agreement on the matter. It took a period of time to document it and draft the material which went to the employees. That came out in April. The Committee that Mr. Hill chaired passed the motion that would extend the 2.40 to people who would have been eligible for it, but who died between the period of time when the Plan was first announced. The Committee passed this motion and the thought was it would be improper. The name Krasowski never came up in that discussion. Once that was determined to extend that benefit to people Mr. Krasowski passed away. Mr. Krasowski is therefore entitled to the 2.40. He had not submitted his papers and he had not effectively retired under the terms of the Plan. As quoted by the Chair, the surviving spouse gets 50%. That is the threshold basis for Mrs. Krasowski receiving 50%.

Mr. Kallianis said the intent of the motion that was passed by the Committee was to deal with what basis people had put in their retirement papers.

Counsel answered they had not put their papers in yet they could not put them in. But who dies in the gap period from January 1, 1997 until the point and time when you could enroll in the VERIP. Who had met the eligibility standards; 25 years of service and they died within that gap period. The Committee thought it would be improper to deny those people the benefit at 2.40 and have them drop down to 1.85. There was no mention of any specific employee at that point. Pursuant to that when Mr. Krasowski passed who had survived by a spouse the benefit was calculated at 50% of the 2.40. Mrs. Krasowski then subsequently raised the issue that she should be considered for eligibility at a 100% in light of her husband's state of intent.

Mr. Brown asked if 241, 308 and management negotiate the pension contractually, can we do something different from what they contractually negotiated as a Committee.

Counsel stated the Committee can not change the Plan. We can not change the VERIP. On a practical sense if there is a consensus between the Authority and the Unions to a specific case you can do it effectively speaking, but there might be some precedence that is established by that action.

Ms. Leonis said if that is the case then we can not address Mr. McGhee either.

The Plan Attorney replied that is correct you can not because Mr. McGhee is the same situation. Under the time of the VERIP the Authority sets his date.

Ms. Fuller asked if it works at 50% at 2.40 what is the difference between 100%. Why does that make it 1.85 and not 2.40.

Counsel answered because if Mr. Krasowski had retired the day before he died. He could have retired at any time under the Plan he did not have to wait until April to retire. He could have retired before that point and time. Had he retired before that point and time he would have received 1.85. He could have also had he chosen an election for his spouse to get 100%. He did not file the papers. He could not file the papers because the door was not open for the filing of the papers. He was waiting to hopefully have that happen. He passed away.

Mr. Kallianis asked were there other people in the situation of Mr. Krasowski. People who were terminally ill; knew they were terminally ill, had submitted and withdrawn regular retirement papers that indicated that they wanted 100% retirement benefit in the period that it was publicly known that we were going to be offering the VERIP in March. Were there people who actually took early retirement between the public period in December and March and either we gave or they got 2.40% rather than 1.85%.

The Plan Attorney answered I am not aware of anyone that fell into that position such as Mr. Krasowski. It may have been but a name have not surfaced. There were retirements moving through the phase all during that time. If we go back to the Committee meetings you are going to find that you approved retirement benefits January, February and March. All of those retirements would have been at 1.85. What happen was the people who had 25 years said I am going to wait until April.

Mr. Thomas said we have individuals, the most popular one is Mr. Mulcahey, who is currently taken the Committee to court because we did not let him go. He felt that the Union or Management should have told him that we were going to get an Incentive. Because we did not tell him then he felt that he should take us to court. There are many things that happen out there that management does not know about. The only people that really know are the Pension Board and the Union that sponsors. There are many horror stories out there. Everybody wants to get retro-activity.

Ms. Black said under Mr. McGhee, the Committee does not have the right to set the date. He will have to go outside of this. Under the VERIP it is done by the Authority. A date was given. We could not set the date. The date was set by CTA.

Mr. Jose Salis who was a disability retiree. He obtained his 25 years while he was on disability pension. He has come back and he is requesting that he be allowed to leave under the 2.40 VERIP. He was not here when his window closed which in essence made him ineligible.

Mr. Jose Salis is an operator who was on disability pension. When his window closed which was June 30, 1998, he was still on disability pension. According to the Plan the person has to be active. He was not active. When he came back to work he said he wants to apply for the VERIP. He came back after his window had closed. Now he wants to be allowed to participate in the VERIP at 2.40 multiplier. He can not do it because his papers were not in. The window closed February 28, 1998 and he was still on disability pension. He was not here at work. He is not eligible because he was off on disability pension.

On a motion by Mr. Barnes, seconded by Ms. Leonis, the Committee unanimously approved to deny the request of Mr. Jose Salis regarding his participation in the VERIP.

The Plan Attorney discussed the Mulcahey case. That was a case from which the Retirement Committee was dismissed. Mr. Mulcahey complaint was about not being advised of the VERIP.

There is another piece of litigation which has been around a long time. Mr. Murphy sued the Retirement Plan and the Authority on the basis of his entitlement to bridging. He thought the bridging concept carried over to the Retirement Plan and we said it did not. That case has been dismissed with prejudice. The Authority made a settlement with Mr. Murphy and it did not entail the payment of any moneys by the Retirement Plan.

We have had an issue up for sometime in regard to the calculation of the contributions to be made and the entitlement of pension eligible services of part-time union officers. Counsel for 241, Lisa Moss has requested that we sit down with her and get her interpretation of the arbitration award. For the last 45 days we have been trying to get a meeting put together between Lisa Moss, Mr. Stanton, Mr. Daley and Mr. Stevens. If we can not get a meeting put together between now and the December meeting we will give an interpretation of the award.

8. New Business

Mr. Kallianis discussed his memorandum concerning Disability Pension. I just want to make sure the Committee is aware of the rules and regulations that have been in place to administrate this program. I understood that prior to me being a Committee member back in 94,95 there was an effort to try to get a better handle what the procedures were in terms of disability pension. I think then there was talk then about tightening up the

program itself. I do not know if that ever happened in terms of re-examinations of people that are on disability pension. One of the things I thought as we were talking about Mr. Salis was the number of people who came off of disability pension for a short period of time and took advantage of VERIP. I am concerned that with out some strict guidelines people are using disability pension.

Ms. Black asked Mr. Ross to take this back and get the numbers on everything as of November 30, 1999. Submit that paperwork to Mr. Kallianis and to the other Retirement Allowance Committee people. Then possibly it can be brought up next month for further discussion. That way the numbers are exact.

Mr. Ross said my thinking on this whole issue is, I do not know if the man power is available to deal with the disability question. I am stating if you want these things done it has to be started with new management at the CTA Pension department.

Mr. Kallianis said it is unrealistic to expect the pension office at its current state to administer a program how we really want them to. I think we sort of shifted some of the responsibility for administrating the plan over to the CTA. I do not think that is necessarily a good ideal.

Ms. Black said it is not a matter of shifting it to them. They have always done it. We just never took it away from them.

Ms. Rayford said in the absence of the Executive Director the General Administration Committee is suppose to manage the pension office.

Counsel said there is nothing in the Plan bylaws that says in the absence of the Executive Director the General Administration Committee takes on those responsibilities.

Ms. Black said the responsibilities of the General Administration Committee has not changed. What had happened before is that all recommendations came back to the Committee. What we do not do is have a side meeting prior to this anymore.

Ms. Rayford asked can we give the General Administration Committee those powers.

The Plan Attorney said the Committee bylaws sets up the operating structure. The Committee could adopt a revised rule expanding upon the duties of the General Administration Subcommittee. You could do that. If this Committee adopt it. The only guideline you would have would be that ultimately the issues that they would be addressing would come back here for approval. That is not to say that there duties could not be expanded.

Mr. Kallianis said there may be no problem with the program at all. But I kind of have my doubts. I realize the definition of disabled is negotiated through CTA. We can not change that. I understand that. But I think we should put some rules and regulations in place to administer the program. That is our responsibility.

Counsel stated that the Committee has a fiduciary responsibility to see that people who are disabled get benefits. But also the people who are no longer disabled do not get disability benefits. We are going to find once you do this we come to the issue of how do we effectuate a policy that says that. The issues in that regard are going to be; how often, by whom and reporting back. Then there is a study in procedure.

Ms. Black said we are going to get all the information to be brought back next month. Anybody that has suggestions as to how we remedy some of the other situations can discuss it next month.

Ms. Leonis asked is anyone concerned about Townsend switching their staffing people.

Ms. Black said maybe we can bring that group in.

Ms. Leonis said it happened kind of suddenly and I think it is something they need to explain to us as well as his proposal for the contract.

Mr. Williams said with the questions that we have I wonder if we should be looking a little beyond that to see if we are actually getting what we pay for.

Ms. Black said along with having them in you recommend that we do another search.

9. Executive Session - none

10. Adjournment - There being no further business, the Committee adjourned at 12:00 p.m.


Wayne Ross

12-22-99
Date


Chairman,
Retirement Allowance Committee