

AGENDA

FOR THE 532ND RETIREMENT MEETING OF MAY 26, 1993

1. Meeting will be called to order at 10:30 a.m., Harris Trust & Savings Bank, 111 West Monroe Street, Executive Dining Rooms - 37th floor.
2. Roll call.
3. Approval of the Minutes of the 531st Meeting held April 21, 1993.
4. Investment Subcommittee 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) Nikola Blagojevic - #5136 - request for retroactivity to 5/1/93.
 - (ii) Thomas Rhone - #3023 - request for retroactivity from 11/1/89 to 4/22/90.
 - (iii) Jesse Jefferson - #08449 - request for retroactivity to 12/1/91.
 - (iv) Kevin Hoey - #16406 - request for retroactivity to 3/1/93.
 - (v) Tyrone May - #23118 - request for retroactivity to 11/1/92.
 - (vi) John W. Whitsell - #06469 - request for retroactivity from 10/1/87 to 11/15/88.
 - (vii) Marvin Kelsey - #23402 - request for retroactivity to 5/1/93.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.

g) Frank J. Spitalli - request for monthly pension increase in lieu of increase in death benefit.

h) Stanley A. Howard - #23080 - Thirteen month period to repay refund of contributions and interest expires -- recommendation that the following be granted a 30-day grace period.

Name & Badge No.	13 Month Period Expires	Entered Service Date	Amount Due
Stanley A. Howard #23080	May 13, 1993	07/10/70	\$17,195.00

7. Unfinished business.

a) PanAgora Asset Management - status.

8. Report by Executive Director.

9. Adjournment.

05/17/93

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 532nd Meeting of the Retirement Allowance Committee was held Wednesday, May 26, 1993, 10:30 a.m., at the Harris Trust & Savings Bank, 111 West Monroe Street, 37th floor. The following were in attendance:

Mr. I. Thomas
J. Forte
W. Black

Mr. E. Hill, Chairman
W. Buetow
T. Stevens
M. Holzman

Mr. D. Perk, Executive Director was present. Mr. L. Morris sat in Mr. T. Collins' stead. Mr. M. Caffrey sat in Mr. L. Brown's stead. Mr. C. Lang sat in C. Burrus' stead. Alternates B. Rayford, R. Baughn, P. Beavers and L. Murray were also in attendance. Messrs. R. Pirovano, W. Ross and Ms. P. Williams of the Pension Office staff were present. Mr. B. Baker, Harris Trust and Savings Bank was present. Messrs. B. Scholz and R. Goldman, pensioner representatives were in attendance. Mr. M. Dzinciolski, pensioner was present. Mr. R. Burke, Plan Attorney was also present.

- (1) The meeting was called to order at 11:00 A.M.
- (2) A roll call was taken which indicated that a quorum of Committee members was present.
- (3) On a motion by Mr. Thomas, seconded by Ms. Black, the Committee unanimously approved the Minutes of the 531st Meeting held April 21, 1993.
- (4) Mr. W. Buetow, Chairman of the Investment Subcommittee presented the report on the meeting of May 26, 1993 (copy of meeting Minutes attached). On a motion by Mr. Holzman, seconded by Ms. Black, the Committee unanimously approved to accept the report of the Investment Subcommittee to be placed on file.

(5) Mr. Stevens, Chairman of the Real Estate Subcommittee reported on the meeting held Tuesday, May 18, 1993 at the offices of Burke, Warren & MacKay. He stated that there was a presentation made by Capital Associates and there was also discussion regarding the property management functions of the Country Lakes Apartment complex to Capital Associates. There was a motion made by Mr. Stevens to award the property management contract of the Country Lakes property to Capital Associates upon receipt of an acceptable business plan and appropriate financial statements. The motion was seconded by Mr. Holzman and the Committee unanimously agreed.

(6) Mr. Stevens, Vice Chairman of the General Administration subcommittee reported on the meeting held May 21, 1993. He noted that all items were reviewed and discussed and made a motion for Committee approval for items 6 (b) - (i). Mr. Thomas seconded the motion and the Committee unanimously approved.

There was additional discussion regarding the benefit recalculation for Mrs. Anita Curtis who retired June 1, 1992. The Plan Attorney then recapped this situation stating that prior to the termination of her employment she filed a grievance procedure with the Chicago Transit Authority incidental to her retirement and request for benefits. In the grievance, she requested a compensation award from the Authority on the basis that she had been passed over for compensation while in the employ of the Authority and the Authority did grant to her an award of compensation resulting from this setback in compensation which she should have received. He stated that taxable withholding and pension contributions were extracted from this award and the question that is posed was does this award of compensation qualify under the terms of the Plan for treatment because she received the award after the period of time involved (from 1988 - 1991). He stated that the Plan document provides that compensation means earnings paid by the Authority to a participating employee. This award is in fact, considered taxable earnings and should qualify for consideration under the Plan as earnings. There was additional discussion and there was a request that the minutes reflect this situation is neither a bridging or a Rule #31 situation, but is a back pay situation.

(7a) The Chairman turned the Committee's attention to the status of PanAgora Asset Management. Mr. Thomas noted that he had requested that this issue be deferred from the previous meeting to be readdressed before the full Committee at this meeting. Mr. Stevens discussed the motion that he had made at the previous Retirement Allowance Committee meeting. He indicated that PanAgora, in their presentation of April 15, 1993,

had agreed that value added of 100 basis points would be a fair measure of their performance. Mr. Thomas then stated that he would like to amend his motion from the previous meeting to reflect that, if PanAgora has not added value of at least 100 basis points at the end of a year, that a search would begin to find a firm to provide the same, or similar, service to the Plan. Further, PanAgora would be included in any such search. The motion was seconded by Mr. Forte and the Committee unanimously approved the motion as amended.

(8) The Executive Director then brought the Committee's attention to the Wyatt Company's actuarial study for the Fund, dated January 1, 1993 for Plan Year 1992 and noted that a copy was mailed to the Members requesting that they review the actuarial study of the Fund to prepare to ask questions at the next meeting. There was additional discussion where the Executive Director stated that previously the Wyatt Company had suggested a 9% interest rate assumption and since that time, this report suggests that the current interest rate assumption is 8-1/4% and the payroll assumption is 5% and this report is a service that is performed every year by John Baratka and the Wyatt Company. The Executive Director then made a presentation of the Report of Disbursements, Deposits and Investments in the Trustee Summary and noted that for the month of April, 1993 the performance of the total Fund was -2.05% and the value of the total assets of the Plan as of April 30, 1993 amounted to \$1,171,348,066. The Real Estate portion of the portfolio showed little or no activity and cash and equivalents was down slightly (approximately \$7.5M). He noted that on March 31, 1993, PanAgora was valued at \$81,879,000, experienced a negative month in April and was valued at \$75,773, and as of May 25, 1993 the account was valued at \$79,177,880. For the month of May, all 14 of the equity managers experienced poor performance for the month and returned negative numbers for the Fund. He noted that there was an error regarding the PRITA account indicating that there was \$1,260,000,00 in income. He noted that there was a distribution of approximately \$3.2M to the six pension funds involved in a commingled real estate fund by Messrs. Gibeaut and Perk and since the Fund has a 40% involvement in this commingled Fund, received \$1,260,000 which will change the performance figures. There was then discussion regarding the 711 Jorie property, and the Executive Director stated that year to date this property was valued at \$893,605. He noted that IBM has moved out of the property, Crown Cork & Seal will be vacating in December, 1994 and there has been appraisal of this property which suffered a 44.7% write down.

had agreed that value added of 100 basis points would be a fair measure of their performance. Mr. Thomas then stated that he would like to amend his motion from the previous meeting to reflect that, if PanAgora has not added value of at least 100 basis points at the end of ~~calendar year 1993~~, that a search would begin to find a firm to provide the same, or similar, service to the Plan. Further, PanAgora would be included in any such search. The motion was seconded by Mr. Forte and the Committee unanimously approved the motion as amended.

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He stated that this report reflects the market value of the property as being \$893,000 and the property originally had a value of slightly under \$21M, but there is a \$9.8M outstanding mortgage and now the Committee faces some proposals of buying off the mortgage at \$7.5M that has 92 months of balloon payments and a balloon payment (\$8,520,000 at 9.8%) with the total cost to the Fund of being approximately an \$18M expenditure. He stated that he has received correspondence from Aetna stating that they will take \$7.5M of the approximate \$9.8M mortgage balance. He stated that this may be a feasible approach in order for the Fund to extract itself from this deal. The Plan Attorney then reviewed this property with the Committee stating what the initial investment was, who holds the mortgage and the fact that the Fund bought out one of the two partners in this deal which at the time was one of their best performing properties. He noted that IBM has vacated the property and Crown Cork and Seal will be vacating the property in December, 1994. He noted that the concern that RREEF has brought to the attention of the Real Estate subcommittee is that when Crown Cork & Seal moves out there will be debt service on the mortgage each year, thereafter, until a tenant is replaced. RREEF approached the firm who holds the mortgage on the property regarding the possibility of negotiating a deal for a better price on the mortgage. The firm responded that they would absorb \$2.2M of the mortgage if it is paid off. He noted that at the next Real Estate subcommittee meeting RREEF will present their recommendations on this property.

(9) There being no further business, the Committee unanimously agreed to adjourn at 11:55 A.M.

[Handwritten Signature]

EXECUTIVE DIRECTOR,
RETIREMENT ALLOWANCE COMMITTEE

DATED

[Handwritten Signature]

CHAIRMAN,
RETIREMENT ALLOWANCE COMMITTEE

DATED