

## AGENDA

### FOR THE 561TH RETIREMENT MEETING OF OCTOBER 24, 1995

1. Meeting will be called to order at 11:30 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 560th Meeting held September 26, 1995.
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) Douglas Carr - #1331 - request for retroactivity to 10/01/95.
    - (ii) Cleo Lenard - #6039 - (disability) - request for retroactivity from 12/01/88 thru 06/24/90.
    - (iii) Angelo Serritella - #17575 - (disability) - request for retroactivity to 02/01/95.
    - (iv) Jorge Arias - #13017 - (disability) - request for retroactivity to 08/01/95.
    - (v) William McHugh - #36138 - (disability) - request for retroactivity to 09/01/95.
    - (vi) Earnestine Martin - #7745 - (disability) - request for retroactivity to 10/01/95.
    - (vii) Mirta Rodriguez - #13700 - (disability) - request for retroactivity to 10/01/95.
    - (viii) Ceola Williams - #6626 - (disability) - request for retroactivity to 10/01/95.
  - d) Presentation of Death Benefits for approval.
  - e) Presentation of Refunds of Contributions for approval.

- f) Presentation of Bills and Remittances for approval.
- g) Tracy D. Temple - #22760 - 30 days extension to repay refund of \$2,247.99 has expired - new seniority date for pension purposes only is 05-17-94.
- h) Jesus Erazo - #6883 - returned to duty - 08-09-95
- i) Jose Flores - #4666 - returned to duty - 08-11-95
- j) David Lewandowski - #20182 - returned to duty - 08-14-95
- k) Richard Jones - #13445 - returned to duty - 08-28-95
- l) Eugene Reyna - #19556 - returned to duty - 08-28-95
- m) Salah Hall - #1296 - returned to duty - 09-08-95

7. Old Business: Investment Policy and Medicare

8. New Business

9. Financial Report

10. Adjournment.

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 561st Meeting of the Retirement Allowance Committee was held on Tuesday, October 24, 1995, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. J. Williams  
Mr. T. Collins  
Ms. W. Black  
Mr. L. Brown

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

Mr. D. Perk, Executive Director, was in attendance. Mr. R. Baughn sat in Mr. Thomas' stead. Mr. C. Lang sat in Mr. Burrus' stead. Alternates also present were L. Murray, B. Rayford, L. Sanford and P. Beavers. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. B. Baker, F. Duda, C. Ambrose and C. Sullivan of Harris Trust and Savings Bank were present. Mr. R. Burke of Burke, Warren & MacKay was present. Messrs. B. Scholz, C. Spears and J. Henderson were also in attendance.

1. The Vice-Chairman called the meeting to order at 11:40 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by M. Holzman, seconded by L. Brown, the Committee unanimously approved the Minutes of the 560th Meeting.
4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Joachimi stated we will be ready by the next meeting with the direct bank data so the reports will be more up-to-date for the meetings.

There were presentations made by two current money managers and one by a group looking to present their credentials to the Board.

The first presentation was made by Regina Pitaro of Gamco Investors, Inc. who told of her organization's goals and objectives. They have worked with the CTA Pension Fund since 1990. Their goal is to own great franchises, all American companies, U.S. based. They want every stock to earn 50% over the next two years.

Numerous questions were asked by the Committee.

Mr. James Kiley, Ms. Kathleen McCarragher and Ms. Maureen Beshar of Weiss, Peck & Greer made a presentation. Mr. Kiley discussed how well their fixed income group is performing and our equity group has come back in a very dramatic way. The Board was concerned about both last December when Weiss, Peck & Greer came to the monthly meeting. A book was passed out in regard to our investments.

Ms. McCarragher spoke about the transformation that has occurred in the core equity group in the last year. She spoke about what they have accomplished since the meeting last December and how well everything is going. She named three goals she set out to accomplish last year: 1) to improve stock selection; 2) improve risk control and 3) improve investment results. She set about her priorities and focused on 4 important ones which are: 1) reestablish the principles by which they invest; 2) reorganize their investment staff to better meet their investment objectives; 3) restructure their investment process and restructure their client portfolio and 4) communicate these changes to clients.

Ms. Beshar spoke about our fixed income portfolio and how well it was doing.

Questions were asked by the Committee and Mr. Perk told Weiss, Peck & Greer that in equity manager category, they were the top performer in September and in fixed manager category, they were also the top performer year to date.

Mr. Hill told the Committee that it has to continue to monitor Weiss, Peck & Greer to make sure they keep going in the direction we want them to go.

The next presentation was made by Palmyra Investment represented by Kurt Cherry, Darrell Williams and Colleen Kramer. They are a private equity venture capital company. They are minority run. They presented to the Committee their backgrounds and what they are trying to accomplish. They are looking for a \$10 million commitment from CTA. It is a private equity pool. They have a \$30 million commitment from the Teachers Retirement System of the State of Illinois. They realize that the Board at this time cannot make any commitments but they do not think this fund would be closed until the 1st or 2nd quarter of 1996.

The Plan Attorney brought to the Committee's attention that the Committee was given a revised Statement of Investment Policy reflecting input from Mr. Joachimi's

Office. The Plan Attorney recommended adoption. It sets forth the guidelines and the current philosophy of the Investment Program. Since Mr. Thomas was not at the meeting today, Mr. Collins suggested postponing the adoption until November's meeting.

Mr. Perk told the Committee that our managers still think we have a policy that excludes investment in South Africa. The new Statement of Investment Policy does not contain such a policy and needs approval.

Mr. Holzman asked what the outcome on the commission arrangement with Hart Barnhoft was. Mr. Perk said everything was closed out. We paid all the fees and the net asset value of the \$30 million was \$29,762,137.79.

Mr. Perk wanted to know if the Committee was going to let a subcommittee decide again where the money would come from to pay the pension. A little under \$8 million is needed a month to pay benefits. Mr. Hill asked if Mr. Collins and Mr. Buetow would do a cash analysis for next month.

On a motion by Mr. Lang, seconded by Mr. Brown, the Committee unanimously approved the Investment Subcommittee Report.

5. Mr. J. Williams, Chairman of the Real Estate Subcommittee, reported on the special meeting held on October 16, 1995 and on the regular meeting held this date.

Topics discussed at the special meeting on October 16 were second quarter reports. Kevin Lynch reported that 64% of assets invested are in the Chicago area. It was suggested by him that we move the money and spread it around in different areas.

USA III REEF was discussed and a decision needs to be made by December if we are going to stay in or cash out.

Country Lakes was discussed and the decision was to sell it.

The main issue was 191 Wacker. We have been paying somewhere near a half million dollars in taxes, and we also pay fees to REEF. The building has been unoccupied for close to 4 years. We are trying to set up a deal with Robert Morris College. The initial proposal was that we would tear the building down and build a new building. We would finance that at a return of approximately 11% and we would invest \$25 million in that project. \$7 million would be paid up front to the Pension Plan from Robert Morris. The Committee rejected that plan.

According to Townsend the property is now worth \$1.5 to \$2 million. We initially paid approximately \$12.5 million. What we propose to Robert Morris College now

is that they would pay us \$6.5 million up front. We would then invest \$10 million toward the demolition of the building and putting up a new building. The College would be obligated to make a substantial additional investment in the property. We have given them 48 hours to respond and then we would move into a new direction if they are not interested. This was recommended by the Committee.

Mr. Hill said his understanding was in addition to selling the building to them for \$6.5 million, they would be required to commit \$6.5 million more to do some work in the building itself, and then the Pension Plan would only fund \$10 million after it was guaranteed that the building was going up, etc. At this point, we would have an exposure roughly of \$3.5 million as relates to them and then we would get the \$10 million back at a rate of about 11%, and we would have all of our money back out in less than 5 years and on top of that we would have stopped over half a million dollar bleeding that we are currently doing. The idea is to get out of this with some kind of recovery.

There was a discussion with Committee Members regarding this.

The Subcommittee recommended that we sell the Lake County properties for a minimum of \$9 million. The Committee voted to see the properties.

On a motion by Mr. Brown, seconded by Mr. Stevens, the Committee unanimously approved the Investment Subcommittee Report.

6. Mr. T. Stevens, Chairman of the General Administration Subcommittee, reported on the meeting held this date. Mr. Stevens requested approval of items 6a through 6m except for 6c(ii) Cleo Lenard and 6c(iii) Angelo Serritella which were postponed until the next meeting.

Mr. Forte was asked what the payout was to Russ Pirovano. It was paid per the Hearing Officer at the Illinois Department of Labor and this was the amount of money decided by the Hearing Officer. Mr. Perk and Andrew James from the Plan Attorney's Office appeared before the Illinois Department of Labor. Mr. Pirovano argued that he was entitled to 50 or more days of vacation. Mr. Perk said the record showed 3 weeks of vacation. The Hearing Officer decided it was 3 weeks. The Plan Attorney was asked by Mr. Brown what happens now. Mr. Burke said the second aspect of this claim is Mr. Pirovano has filed a suit in Federal Court saying he was discharged because he was replaced with a Black man and a younger man. He had initially filed it with the State and they declined to process it so he has now filed it with the Federal court charging discrimination in terms of his employment.

There was a question about coffee service for the Pension Office. It was voted to keep it. Mr. Buetow would like to research regarding the coffee service to see if

some profits would go for the Employee Welfare Fund. It was agreed.

Mr. Forte reported on Mr. Lenard who requested retroactivity from 12/1/88 through 6/24/90. He was on Workmen's Comp and had his 26 weeks. Mr. Lenard said he is entitled to it and did not know he could draw a disability pension. Ms. Murray questioned where he has been all this time. He has been on and off work since that time. His record will be checked and this will be discussed at next month's meeting.

Mr. Forte also discussed how a regular retirement application was filled out for Mr. Serritella but he wants a disability retro to 2/1/95. He is in 605. Mr. Serritella stated he was disabled because of the fact he was on Workmen's Comp. This is the second time he has put in for a pension. This will be deferred until next month.

Mr. Forte reported that approximately 270 disability pensioners have returned their questionnaires. Mr. J. Forte asked who was to look over the doctor's statement. Mr. Stevens told him that Mr. Perk and Mr. Forte should look them over and if they have questions call Dr. Realiza.

There was a question concerning the Retirement Plan financial statement that was sent out to employees. The funding ratio was lower and Mr. Perk stated that this was attributable to new reporting procedures.

Ms. Black brought up the subject of Geraldine Gale. The Plan Attorney said the result of the Ad Hoc committee's (L. Murray, W. Black, L. Sanford) meeting with him and Tom Czech was that Tom Czech was going to reclassify Ms. Gale as a full time permanent after looking at the nature of her duties and what she had performed. Mr. Czech is going to issue a letter to that effect and when this letter is received by the Plan Attorney he will write a letter to Ms. Gale stating his opinion that she is entitled to benefits.

On a motion by Mr. Holzman, seconded by Mr. Brown, the Committee unanimously approved the General Administration Subcommittee Report.

7. Old Business - The Plan Attorney discussed the presentation a few months ago by Mr. C. Andersen regarding revising the Committee's procedures so that disability pensioners seeking medical insurance benefits from the Committee would first use Medicare and then the Retirement Plan would be their secondary carrier. Mr. Anderson thought this would be cost effective for the Retirement Plan. It is permissible to do it this way having Medicare as the primary carrier responsible and the Retirement Plan as secondary.

There needs to be addressed the monthly premium cost of about \$46.00 per person

who will become subject to Medicare. This will probably go up to the low 50's with the legislation coming out of Congress. We should go back to Mr. Andersen and tell him we are talking about a possible cost per individual of approximately \$500 to \$600 a month. There may be as many as 2300 retirees. Mr. Burke said he will raise the question with Mr. Andersen whether it is a good economical move and report back to the Committee in Nov. No one would receive any less benefits than they receive now. Mr. Perk questioned Mr. Burke's letter where he said CTA's Retirement Plan may adopt a rule providing for payment of monthly premiums for disability and/or old age retirees. Mr. Burke said yes, the Plan could pick up the premium cost for disability and retirees over 65 who should be on Medicare.

8. New Business - None
9. Financial Report - The Executive Director then turned the Committee's attention to Report of Deposits, Disbursements and Investment in the Trustee Summary and noted that for the month of September, 1995, the performance for the total fund was 2.54%, and the value of the total assets of the Plan as of September 30, 1995, amounted to \$1,327,993,188.00.
10. There being no further business, the Committee unanimously agreed to adjourn at 11:45 A.M.



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Executive Director,  
Retirement Allowance Committee



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Chairman,  
Retirement Allowance Committee

Dated: December 19, 1995

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