

AGENDA

FOR THE 563RD RETIREMENT MEETING OF DECEMBER 19, 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 562nd Meeting held November 19, 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) Karen Bullock - #16272 - (disability) - request for retroactivity to 07-01-94.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) John Knighten - #12499 - returned to duty 11-17-95
 - h) Williams Nash - #00285 - returned to duty 11-20-95.
7. Old Business
8. New Business: Tax Deferred Pension Contributions
9. Financial Report
10. Adjournment.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 563rd Meeting of the Retirement Allowance Committee was held on Tuesday, December 19, 1995, at the Harris Trust and Savings Bank, 111 West Monroe Street, Executive Dining Room - 37th Floor. The following were in attendance:

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

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

Mr. D. Perk, Executive Director, was in attendance. Mr. L. Sanford sat in Mr. Burrus' stead. Mr. R. Baughn sat in L. Brown's stead. Alternates also present were B. Rayford, L. Morris and R. Schultz. W. Ross, J. Forte and A. Dungan of the Pension Office Staff were in attendance. C. Ambrose of Harris Trust and Savings Bank was present. Mr. R. Burke of Burke, Warren & MacKay was present. Messrs. J. Henderson and Bill C. Gilmore were also in attendance.

1. The Chairman called the meeting to order at 10:40 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. Mr. Stevens noted that there were revisions to the Minutes of the 562nd Meeting. On page 3 of the Minutes, second paragraph, fourth line, it should read *--deal may fall through,-- instead of "deal fell through,"*. On page 4, after the chart, add *--Now we receive this new letter and it is at odds with the facts as discussed in the previous letter. The discussion indicated a need for an explanation from the RREEF organization on this matter.--* Also, on page 4, the first paragraph, line 1, should read *-- may lose -- instead of "had lost"*.

On a motion by T. Stevens, seconded by T. Collins, the Committee unanimously approved the Minutes with any revisions made by Mr. Stevens.

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

Mr. Joachimi reported that Ark is restructured. Ark wants a decision by the end of the year. Also Palmyra wants a decision by the end of the year. He suggested

holding off any decision until after the first of the year. Mr. Thomas was concerned about Ark. Ark, according to Mr. Collins has been before the Committee three times. Mr. Thomas and Mr. Collins said Mr. Granger has been on the phone quite a bit lobbying and Arc was told that, like any other group that came before this Committee, they must have the approval of the consultant. Ark made changes which totally changed the proposal which was originally presented to the Committee. Based on those changes, Mr. Joachimi suggested we do nothing at this time. He felt we should not be pushed into a certain deadline by Arc or Palmyra. Mr. Williams suggested that Ark come before the Committee again. Mr. Joachimi agreed and then a decision will need to be made.

Through September the Fund had an average return for 5 years of 15.3%. This is because the Committee decided long ago to invest in equities and it was a good decision. Mr. Joachimi said that the Plan has done well with the run up in the market.

He suggested the Committee change the investment policy so that the money managers can use BAA and BBB investment grade. The Managers are telling him that they would like some leeway of 5% to 10% in that type of bond. They do very careful credit checks. The money managers will have to follow the guidelines that the Board puts in place if we allow them to use BAA or BBB. The Plan Attorney suggested they adopt a common rating system. The Board has to adopt a standard or otherwise the Plan will be at variance with the money managers. This will be decided at the January meeting.

The Plan Attorney suggested that the Investment Policy Statement not be put before the Board at this time particularly if they are going to change the classification bonds.

The Plan Attorney will draft a letter to Harris Bank asking them to qualify NCM, Kenwood and Wedgewood. They all have approximately 5 year track records. This is the opening step to them in providing some flexibility in that emerging manager fund. Mr. Burke will draft a letter regarding this.

On a motion by E. Hill, seconded by J. Williams, Sr., the Committee unanimously approved the Investment Subcommittee Report.

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

There was a presentation by Brian Reiger of RREEF regarding the Meridian Business Campus. In the last 12 months they have recorded a 24% return on the investment. Construction has been completed on the retail project of 150,000 square feet. 65 acres of land have been sold. The industrial building is 100% leased. They are looking for additional capital funding for projects in 1996. Meridian is basically self-funding. They are requesting \$2 million from the investors. CTA's

pro-rated share would be \$818,000. The Board on a motion by T. Stevens, seconded by L. Hill agreed to pay this share.

Mr. Williams, Sr. discussed the 191 N. Wacker Building. A letter was sent to Robert Morris College with the counter proposal to what they had suggested. No response was received. Since this date a letter was received from RREEF. RREEF suggested we demolish the building and develop a parking lot on the site. This would cost approximately \$1.50 million. The net income of the parking lot would be approximately \$176,000 in the first year. RREEF believes the property value will increase. According to Mr. Perk if the building came down the taxes will come down \$19,000 a month. It was decided to have RREEF speak to the Board regarding this situation.

6. Mr. T. Stevens, Chairman of the General Administration Subcommittee, reported on the meeting held this date. Present were J. Williams, Sr., L. Brown and T. Stevens. Mr. Stevens requested approval of items 6a through 6h.

There was a discussion regarding Raymond Hendricks, who is incarcerated. Mr. Forte reported that Mr. Hendricks' aunt had called and told us to hold his checks. Mr. Hendricks is on disability retirement and will not be able to send in his questionnaire. He is in jail under an alias - Henderson. The Plan Attorney will get in touch with the medical staff at the prison and get the information we need.

Katie Lowe was the next item of discussion. She was on disability and returned to work in July of 1994. She worked for 4 days and then was injured on duty. The Pension Office did not get any correspondence on her and in November, 1995, she called and wanted to be reinstated back to disability. Mr. Perk's instructions were to send her to the Medical Department. The Medical Department said she was okay for light duty. When she came back to work, she worked for 4 days and Workers Comp paid 2 weeks and then she was cut off. Ms. Lowe had an operation on her back in December, 1993 and in July of 1995 a disputed workers comp case came up which is now pending. Mr. Forte asked what should be done about this case. Should she go through 26 weeks to qualify or do we reestablish her on a disability pension retroactive to August of 1994. Mr. Forte said the policy is the only way someone can go back to the 26 weeks, they must work 40 hours. She was sent a letter to come to the Medical Department for a physical which she had on December 14, 1995. The doctor said this disability is a permanent condition but she is fit for light duty. Mr. Stevens suggested that Mr. Perk and Mr. Forte get all the information and the committee will look at the whole file. The Plan Attorney said if she has the injury that is related to the original disability, how can we say we are not going to pay benefits to you because you cannot get another 26 more weeks under the rules. He felt she should go back on disability unless a light duty job is found. This matter will be checked into.

Mr. Forte reported on the questionnaires that were sent out to disability pensioners. He said all but 80 have been returned. He asked the Committee what should be done about these 80 that have not returned their questionnaires. The Plan Attorney said he would give them a final notice to respond before we cut off the benefits and state what date the benefits will be cut off. They should be given 30 days to respond. The letters should be sent out certified with a return receipt requested according to Mr. Stevens.

Mr. Forte suggested that a Committee be formed to look over the questionnaires from the individuals on disability to decide who should be called in for a medical, etc. He suggested himself, Mike Bruen, and someone from Medical be on the Committee. He also suggested someone from the union side should be on the Committee. Mr. Williams suggested Brenda Rayford be on this committee.

Mr. Stevens and Mr. Forte discussed how some questionnaires showed they were eligible to come to work immediately. Mr. Stevens told Mr. Forte to work it out with Mr. Czech and Medical for them to come for a medical.

There was a presentation made by T. Czech and M. Pollack on the Draft of the new Annual Statement of Pension Benefits. There was a discussion regarding suggestions regarding changes to be made on the form. After all the members make their comments, T. Czech will revise it at the direction of the Committee and it will be brought to the next meeting for approval. The cost of this form will be charged to Pension Office.

The forms will be prepared on Geraldine Gale by T. Czech changing her status. She was in 605.

On a motion by Mr. Hill, seconded by W. Buetow, the Committee unanimously approved items 6a through 6h.

7. Old Business - None
8. New Business - Tax Deferred Pension Contribution

The Plan Attorney discussed a call he received from Martin Burns regarding restructuring of the employee contributions. The employee's contribution to the Pension Plan will not be subject to tax. The Plan Attorney told Mr. Burns that this has been looked at a number of times in the past but he would again discuss it with the Committee. The Plan Attorney explained to Mr. Burns this is a bargaining item with the union. What it would mean is the required contribution, which would be negotiated in the collective bargaining contract, would be deducted from the employee's compensation so that it would not be taxable wages. It would then be paid to the Pension Plan. The employee would receive the same credit for making

the contributions. He would not be paying tax on that contribution. The impact is when the individual begins to receive benefits under the Retirement Plan, he/she does have a slightly higher tax basis. There would be a slight impact in regard to participation in Deferred Compensation because taxable contribution would be shrunk. It is a very beneficial move for the employees to have. It would though reduce the amount by which the individual's compensation would be determined for pension eligibility.

There was a discussion about this.

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 November, 1995, the performance for the total fund was +3.19%, and the value of the total assets of the Plan as of November 30, 1995, amounted to \$1,338,353,065.

By the end of December, the Fund should receive \$600,000 from PRITA. Mr. Burke told the Committee that there would be a major distribution in December. The bills still open will have to be paid and the final distribution will occur in the Fall of 1996.

10. There being no further business, the Committee unanimously agreed to adjourn to Executive session at 11:50 A.M.



Executive Director,
Retirement Allowance Committee



Chairman,
Retirement Allowance Committee

Dated: 1/23/96

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