

**RETIREMENT PLAN FOR CTA EMPLOYEES**

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**NOTICE**

**RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES**

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, JUNE 25, 1996, AT 8:30 A.M.

THIS WILL BE FOLLOWED BY THE INVESTMENT SUBCOMMITTEE AT 9:30 A.M., THE REAL ESTATE SUBCOMMITTEE AT 10:30 A.M., AND THE RETIREMENT ALLOWANCE COMMITTEE MEETING AT 11:30 A.M.

THE MEETINGS WILL BE HELD AT THE HARRIS BANK, 111 W. MONROE, IN THE EXECUTIVE DINING ROOM ON THE 37TH FLOOR IN ROOMS A AND B.



**REVISED AGENDA**

**FOR THE 569TH RETIREMENT MEETING OF JUNE 25, 1996**

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 568th Meeting held May 21, 1996.
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) Graythorn C. Jamison - #6853 - request for retroactivity to 04-01-96.
    - (ii) Helen E. Banks - #1046 - (disability) - request for retroactivity to 05-01-96.
    - (iii) Hue A. Maxwell - #9846 - (disability) - request for retroactivity to 06-01-96.
    - (iv) Josephus Crims - #9581 - (disability) - request for retroactivity to 06-01-96.
  - d) Presentation of Death Benefits for approval.
  - e) Presentation of Refunds of Contributions for approval.
  - f) Presentation of Bills and Remittances for approval.
  - g) Paulette Hardeman - #13599 - returned to duty - 06-18-96
7. Old Business
8. New Business
9. Financial Report
10. Adjournment.

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 569th Meeting of the Retirement Allowance Committee was held on Tuesday, June 25, 1996, at the Harris Trust and Savings Bank, 111 West Monroe, Executive Dining Room - 37th Floor. The following were in attendance:

Mr. I. Thomas, Chairman	Mr. E. Hill, Vice Chairman
Mr. J. Williams	Mr. T. Stevens
Mr. T. Collins	Mr. W. Buetow
Mr. L. Brown	Mr. M. Holzman
Ms. W. Black	

Mr. D. Perk, Executive Director, was in attendance. Mr. C. Lang sat in Mr. Burrus' stead. Alternates also present were L. Morris, R. Baughn, L. Sanford, P. Beavers and L. Murray. W. Ross, L. Smith, J. Forte and A. Dungan of the Pension Office Staff were in attendance. Mr. R. Burke of Burke, Warren and MacKay was present. Messrs. B. Scholz, C. Spears, Bill C. Gilmore, and J. Henderson were also in attendance.

1. The Chairman called the meeting 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 L. Brown, seconded by T. Stevens, the Committee unanimously approved the Minutes of the 567th Meeting with changes. Also approved were the Minutes of the 568th Meeting.
4. Mr. T. Collins, Chairman of the Investment Subcommittee, reported on the meeting held this date.

The Plan Attorney said Harris was asked to extend their custodial service beyond July 1, 1996, and they declined the request.

They will not serve in the sense of trustee custodian beyond July 1. They will, however, act as a dispersing agent for the checks for the periods of July and August. Northern Trust will be in a position to handle the checks from August 1 on. The checks that will come out to the pensioners the end of July and the checks to pay the bills and operating expenses will still come from Harris during the month of July under a Letter Agreement and a Pay Agency Agreement between Harris and Northern that the Plan Attorney was preparing.

Mr. Joachimi spoke about the question of inflated cost being charged by the broker. Mr. Joachimi said a manager does not inflate. He said they can do business or do not have to do business with a certain brokerage firm. There are several that do not

direct commission through Wellesley. 20th Century is one that is an example of that. The managers determine the commission. That is the way the Committee would want it to be according to Mr. Joachimi. They have a choice of 6 brokerage firms which are: Bears Stearns, Wilshire, Broadcort which is Merrill Lynch, Paine Webber who can do bonds as well, McDonald & Co., for small stocks, James Capel & Co., which does international and Lynch, Jones & Ryan. Since we started this program approximately \$3.3 million has come back to the Plan. About one-third is Wellesley's fee. The rest is what comes in after our fee is paid and reverts back to the Plan.

Wedgewood Capital, who is a fixed income manager, and a minority manager has been written up in various papers. Mr. Daryl Dennis who was Chief Investment Officer, resigned a month ago because of substance abuse. Wedgewood pushed some non-marketable securities into one of their client's accounts and money was lost and several clients fired them. Mr. Joachimi does not want to take a risk. He suggested because we have approximately \$28 million dollars invested with them that they should come before the Committee at the July meeting.

The next subject was Ark and the fact they are not registered with the SEC as a financial adviser. Mr. Joachimi read a letter from a lawyer from the SEC outlining who need to be registered. The Plan Attorney said the Committee should insist they register. Mr. Hill said it sounded like their trust agreement states they are to be registered, and all of our managers are registered.

Regarding W. R. Lazard, Mr. Joachimi said it was decided that the new bank (Northern Trust) should take care of this matter of liquidating the portfolio. The Committee want to transfer the securities. Mr. Joachimi said the Committee should think of no more than two managers, and he would be comfortable with transferring to one manager. The firm that has the best and biggest bond house is Goldman Sachs, which is Amalgamated. Mr. Hill said Amalgamated's performance for the past year is 10.5%, which is higher than everyone. On a motion by Mr. Hill, seconded by Mr. Stevens, the Committee (except for Mr. Thomas and Mr. Holzman who abstained from voting) unanimously approved transferring the assets of the Lazard portfolio to AmalgaTrust. Mr. Perk raised the issue concerning conflict of interest regarding the transfer of W. R. Lazard portfolio to AmalgaTrust because two members of the Committee are on the board of AmalgaTrust. Mr. Holzman said he wanted an opinion on conflict of interest in writing from the Plan Attorney. Mr. Burke said as long as they abstain from voting there is no problem.

On a motion by Mr. Stevens, seconded by Mr. Lang, 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.

Mr. Gary Thompson of RREEF gave an update on the RREEF liquidation of the USA III account, a commingled fund in which CTA is an investor. This fund has approximately 25 investors in the fund. It was a \$750 million fund originally. We sold some assets and distributed some money back to the Plan. This was a 10 year fund which matures this year. They are disposing of the assets and distributing the dollars back to the Plan. Mr. Hill asked if there was a time specified for this portfolio to be liquidated. We have a couple of years following the maturity date to dispose of the assets. If it looks like there is a problem and this will be accomplished, RREEF would go back to all of the investors and explain the situation and let the investors tell RREEF what should be done.

There was a discussion about different properties including 69 W. Washington and different malls.

Mr. Williams told how the demolition plans for 191 Wacker Drive are going along on schedule.

Jeffery Manor was leased to Dollar Plus and Ameritech is still obligated to us until the middle of 1997.

Lexington Homes made an offer to buy the vacant land we have in Elk Grove for \$2.2 million and we paid \$3 million.

Lake County Industrial - according to the Plan Attorney RREEF has put together a package.

Remington - there is one piece of property and efforts are being made to liquidate and there is no prospect.

On a motion by Mr. Hill, seconded by Mr. Collins, the Committee unanimously approved the Real Estate 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 g. All members of the Subcommittee were present.

Mr. Forte reported that there are 628 people on disability. The Committee, which consists of Michael Bruen, Brenda Rayford and Mr. Forte found the following:

271 on permanent disability

209 for medical review

29 between the ages of 62 and upward for medical review

- 23 to return to work
- 13 failed to respond to questionnaires
- 83 who were 65 and older who did not send anything from their doctor

As of Monday, June 24, 1996, two individuals who had failed to return their medical form did so. So far Mr. Forte said he is holding 4 checks for individuals who failed to return their questionnaires. The Committee told him to continue holding the checks for the remaining 11 individuals.

Mr. Perk discussed working with Northern to make the transition run smoothly. Northern has a Passport Computer Program with which the Pension Office is not compatible.

The Committee authorized the purchase of computer equipment subject to review of the price quotes by Mr. Perk and Mr. Lang. Mr. Forte said as soon as the equipment is installed, Northern Trust will have training sessions for the Pension Office employees.

On a motion by Mr. Brown, seconded by Mr. Hill, the Committee unanimously approved the purchase of computer equipment.

Mr. Perk spoke about Financial Control Systems, Inc. The contract is up for renewal. Mr. Ross informed the Committee that Financial Control Systems are the key ingredient in the Pension Office's reconciliation program and they actually audit the transactions.

On a motion by Mr. Buetow, seconded by Mr. Hill, the Committee unanimously approved the renewal of the Financial Control Systems contract.

Mr. Perk said a pension stuffer will go in the pension check in July notifying the pensioners that their future checks will come from Northern Trust.

Mr. Perk discussed the numerous letters sent regarding the change from Harris to Northern. Further, Mr. Perk spoke to Harris Bank and terminated the stif fund that we had which is an average of \$55 million cash after all the manager's cash is swept every night. Mr. Duda of Harris is in the process of closing that whole system down and it will be completely closed and the equivalent of the Harris' stif fund will be all dollar value cash and no investments. In addition to that, Mr. Perk spoke to J. Nepote on the securities lending and had him shut down the securities lending program at Harris. There was approximately \$140 million in equities out on loan. All of the equities have been recovered except 1400 shares of Merrill Lynch and Mr. Perk was told by J. Nepote that they will recover those 1400 shares. After that we will have all of the equities back that we had on loan. That means the security lending program is at an end. The Plan Attorney is working on a new

securities lending agreement with Northern. He is also working on a benefits agreement with Northern that we did not have with Harris, and he is also working on a trust agreement and investment manager agreement.

Further, Northern is going to request signatures of each staff member. Each staff member is going to get a security code and a password. Some of the work that is done with hard copy with Harris will be accomplished right at the employee's desk for instance, changes for taxes, address, stop payments, etc. In addition, the Northern wants a new listing of who the Chairman is going to appoint to sign off on request for movement of funds from the Plan. Currently, Chairman Thomas has indicated himself, Mr. Hill, Mr. Ross and Mr. Perk. That will remain the same with Northern. He mentioned that there was a drawdown of \$3 million each from Ariel and Twentieth Century.

On a motion by Mr. Thomas, seconded by Mr. Collins, the Committee unanimously approved items 6a through 6g and the General Administration Subcommittee Report.

The Plan Attorney spoke on the Northern Trust transition and explained about the four agreements between the Retirement Allowance Committee and Northern Trust. They are the Trustee and Custodial Agreement, Benefits Service Administration Agreement, Securities Lending Agreement and Specific Investment Management Agreement.

Mr. Sanford suggested including a payroll staffer with CTA Employees checks informing them of the change from Harris to Northern Trust. Mr. Hill said this should come from CTA not the Committee.

Mr. Perk told about an invoice from the RREEF organization and our review of our records show they were paid for February and April. They did not receive payment for March. There was a letter sent to Harris to pay fees for 4 different properties and somehow they did not get funnelled through the bank and those fees were not paid. RREEF sent an invoice for the March payment and the May payment and it totals \$21,207 on the 6 or 7 direct real estate investments that they manage.

Mr. Perk said he needed committee approval. It was approved by the Committee.

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

7. Old Business - Settlement agreement with Russell Pirovano.
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 June, 1996, the performance for the total fund was 1.52%, and the value of the total assets of the Plan as of June 30, 1996, amounted to \$1,408,092,147.
10. At the request of the Executive Director, the Committee moved to Executive Session at 11:15 A.M.

The Committee reconvened; there being no further business on a motion by Mr. Stevens, seconded by Mr. Williams, the Committee unanimously agreed to adjourn at 11:50 A.M.



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**Executive Director  
Retirement Allowance Committee**



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**Chairman  
Retirement Allowance Committee**

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