

# AGENDA

## FOR THE 580<sup>th</sup> RETIREMENT MEETING OF MAY 27, 1997

1. Meeting will be called to order at 11:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 579<sup>th</sup> Meeting held April 22, 1997.
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) Tom R. Collins - #4469 - request for retro-activity to 04-01-97.
    - (ii) Gregory W. Culberson - #21835 - request for retro-activity to 05-01-97.
    - (iii) Roosevelt Fleet - #9215 - request for retro-activity to 05-01-97.
    - (iv) Larry J. Harper - #7409 - request for retro-activity to 05-01-97.
    - (v) Leonard W. Morris - #9215 - request for retro-activity to 04-01-97.
    - (vi) Isiah Thomas - #27285 - request for retro-activity to 04-01-97.
    - (vii) James L. Yancey - #8118 - request for retro-activity to 04-01-97.
    - (viii) Yve Fung-Cap - #18212 - request for retro-activity to 05-01-97.
    - (ix) Robbie M. Brown - #3761 - (disability) - request for retro-activity to 05-01-97.
    - (x) John H. Christner - #13707 - (disability) - request for retro-activity to 04-01-97.
    - (xi) Jerome N. Pace - #17237 - (disability) - request for retro-activity to 05-01-97.

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**RETIREMENT PLAN FOR CTA EMPLOYEES**

10 SOUTH RIVERSIDE PLAZA

SUITE 1625

CHICAGO, ILLINOIS 60606

(312) 441-9694

**NOTICE**

**RETIREMENT ALLOWANCE COMMITTEE MEMBERS AND ALTERNATES**

THIS IS TO ANNOUNCE THAT THE MEETING OF THE SUBCOMMITTEE ON GENERAL ADMINISTRATION WILL BE HELD TUESDAY, MAY 27, 1997, 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 NORTHERN TRUST COMPANY, 50 S. LA SALLE STREET, IN THE DIRECTORS' DINING ROOM ON THE 6TH FLOOR.

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 580th Meeting of the Retirement Allowance Committee was held on Tuesday, May 27, 1997, at the Northern Trust Company, 50 South La Salle Street, 6th Floor. The following were in attendance:

Mr. E. Hill, Chairman  
Mr. W. Buetow  
Mr. T. Stevens  
Mr. D. Anosike  
Ms. S. Leonis

Mr. I. Thomas, Vice Chairman  
Mr. L. Brown  
Mr. T. Collins  
Mr. J. Williams, Sr.  
Ms. W. Black

Mr. D. Perk, Executive Director, was in attendance. Alternates also present were L. Sanford, C. Lang, P. Beavers, L. Morris, R. Baughn, M. Caffrey, B. Rayford and J. Forte, W. Ross and A. Dungan of the Pension Office Staff were in attendance. Ms. P. Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren and MacKay was present. Messrs. C. Wesley, C. Spears, J. Henderson and J. Guerrero were also in attendance.

1. The Chairman called the meeting to order at 10:35 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 Mr. Brown, the Committee unanimously approved the Minutes of the 579th Meeting.
4. Mr. W. Buetow, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Members present were W. Buetow, T. Collins, S. Leonis, W. Black, D. Anosike, J. Williams, Sr. and T. Stevens.

Mr. Buetow updated the Cash Flow for the Committee. At this point, Piper has been funded. RXR is to be funded and is progressing rapidly. The portfolio for GAMCO has been eliminated and has been brought into a cash balance position. Through the months of May and June there is a positive cash flow which is available for future investment at the Committee's decision.

Mr. Buetow reminded the Committee, CTA and the Unions are still in a situation of non-funding. The cash balance remains favorable throughout the year and that is because of the GAMCO elimination,

Mr. Joachimi reminded the Committee that still pending is the completion of the growth managers and of the aggressive growth managers search. He would like to discuss this item at the next meeting.

There have been two new managers hired in these areas: Piper and Mentor. 20th Century will be released and there will be another \$50 million to invest. There might be 1 or 2 others in the growth area the Committee may want to take a hard look at, in particular Chicago Corp. Investment Guidelines should be the subject matter at the next meeting. The changes outlined are the asset allocation regulations and the broadening of investment grade guidelines which will allow the fixed income managers to go beyond an A rating. Mr. Burke's office will provide a highlighted copy of the investment grade guideline so the Committee can review it before the next meeting and come prepared according to Mr. Hill to approve or to voice their concerns.

Mr. Joachimi said the Committee has had only one experience with liquidation and that was with GAMCO and in that case 3 competitive bids were received and the Committee went with the most competitive bid for liquidation.

Mr. Joachimi discussed directed commission soft dollar program. A long discussion followed. Mr. Williams said the committee to discuss this program plans on meeting soon.

Mr. Thomas questioned how these names were picked. Mr. Joachimi said, at the present time, we have 5 different firms. These 5 different firms are thought to be the best traders out there. The firms are Merrill, Lynch; Bear, Stearns; Paine Webber; McDonald & Company in small cap and Lynch, Jones and Ryan and one international that has not worked too well. It is based on who are the big players out there and who can handle the trades. There is room to have almost anyone there; but, the question Mr. Joachimi had was once you move away from the big trading firms, you then open things up for question because there are many trading firms from Chicago who then trade through Merrill Lynch, etc. Then there is an additional time delay and possible commission change that you have to face.

Mr. Thomas asked Mr. Joachimi if he has any input into who a manger selects. Mr. Joachimi said no and he said the Committee would not want him to have any input.

Mr. Thomas said if money managers can trade with anyone they want, why is there a list. Mr. Joachimi said if you are going to have someone you are going to work with, you need to have some type of agreement with them. Mr. Perk said that the

Pension Office receive a commission report from every manager, every quarter. Mr. Perk said the reason we have a list and have had a list for more than 20 years is there is a monetary gain for this fund if our managers use our recommendations and we receive soft dollar credit. There are a great deal of managers that trade with houses where they get a benefit and we receive none of the benefit notwithstanding the fact that we already pay them a fee.

The Plan Attorney brought up the question of the minority hiring program and money managers. This has not been a part of the written investment policy as of this date. If the Committee wants it to be part of the policy that will have to be addressed. Ms. Beavers said she is not looking at percentages like a CTA contract but what EEO representation in the work force is, what they are doing in the community, do they work with school programs, do they work with internship programs and what they are doing to assist minorities and women. Mr. Burke and Ms. Beavers will sit down and draft a policy.

Mr. Hill brought up the fact that Deloitte Touche will be at the next meeting to report on the transition from Harris Bank to Northern Trust. They did find everything to be acceptable.

On a motion by Mr. Thomas, seconded by Mr. Williams, the Committee unanimously approved the investment Subcommittee Report.

5. Mr. T. Stevens, Chairman of the Real Estate Subcommittee, reported on the meeting held this date.

For the record all the members of the Subcommittee were present.

Mr. Grant Berlin of Townsend told the Committee about the agenda.

First presentation was by Mr. Vern Bennett of Metric. He introduced Mr. Ronald E. Zuzack, Director of the Multi-Family Branch in San Francisco.

Mr. Bennett told about his status, how he is phasing into retirement and is working part time but is still working on the Plan's Account. He will be working through the end of the year and possibly part time next year. The gentleman who will be our portfolio manager Mr. Ted Koros was unable to attend the meeting.

Mr. Zuzack spoke about his responsibility for all multi-family investment activities for SSR Realty Advisors. Metric was owned 100% by Metropolitan Life Insurance Company and their was a sister company Met Life Realty Group. After many years of discussion the two companies were combined. The merger was closed March 31, 1997. All of the people who were involved in Metric are part of the new company.

Mr. Berlin asked Mr. Zuzack before the meeting about different issues. There are no concerns from Townsend's point of view.

Mr. Zuzack told the Committee the Plan has about \$13.5 million invested in Metric Institutional Private Fund. The strategy was to assemble a geographic, diversified portfolio of apartment properties Grade A with a 5 to 10 year holding period. It is currently in the 6th year of operation. There were 10 properties; 4 of them were fully owned and 6 were co-investments. Two properties in the Fund have been sold. The first sale was Beech Lake Apartment which was sold in August, 1994. These funds were invested in the Greenbriar Apartments. The second property that was sold was the Landmark Apartments located in Portland, Oregon which was sold in August of 1996 at 41% in excess of the original acquisition cost and 11% above the year-end 1995 appraised value.

Mr. Hill asked Mr. Zuzack if the cash generated from the sales was reinvested into the Fund. Mr. Zuzack said the Beech Lake sale was reinvested into the Fund. The second sale was distributed back to the investor. They are in the liquidation stage of the fund being in the 6th year of operation. They will be liquidating the remaining 8 investments over the next 5 to 6 years.

They have been looking to sell the two properties in Denver - Mill Pond and Conifer Creek - and are speaking to some buyers at this time but there is nothing definite. The next property that could be sold is the Heronfield Apartments in the Seattle area. The market is extremely strong now. They are seeing some above average rental growth. There is very little building activity, and they thought there may be an opportunity to generate significant profits in that market.

Since inception the Plan's investment has generated a total gross return of 9.8% which is about 150 basis points over the NCREIF Apartment Index. Year-end 1996 they had appraisals done on all the properties. Mr. Stevens asked what they were asking for the 3 properties that are up for sale. Mr. Zuzack said they are looking at putting them on the market for the appraised value. On a total basis Mill Pond's value is \$13,850,000 and Conifer Creek's value is \$15,100,000. Heronfield appraised value is \$15,725,000, and Mr. Zuzack felt they could sell it at about appraised value.

Mr. Zuzack said they have another property in Seattle they will be marketing in another sub-market and they will be selling that at about appraised value.

Mr. Zuzack spoke about fund diversification. The fund is well diversified. The Plan has no more than 27% of the fund's assets in any one region and no more than 18% of the fund's assets in any one property.

The properties are performing very well. Current occupancy is about 94% today. Rents are up 4% since the first quarter of 1996. Mr. Zuzack said we are entering

into the liquidation phase which will happen in the next several years.

The Plan Attorney asked about the Riverslake investment. Mr. Zuzack said Riverslake was not a good investment. They plan on selling that property in the near future. Mr. Zuzack does not think we will recoup all of the original cost but he felt there will be an opportunity to get most of it back.

Mr. Brian Rieger from RREEF spoke about 711 Jorie Blvd. and the remaining 7 years on the lease with McDonald's. There has been a buying explosion in the Oak Brook market since this was last discussed. McDonald's does not want to terminate their 7 year lease but it is not part of their long term holdings. It was appraised at \$22 million and at \$24 million we are sellers according to Mr. Rieger. McDonald's have a right to terminate the lease with a penalty of about 2-1/2 years of rent. Mr. Rieger said the annual rent is \$2,044,500 and it increases 2-1/2% every year. It is a B property.

Lake County Industrials sale is scheduled to close on Thursday, May 29, 1997.

Remington Building is being marketed and there are a couple offers on it.

191 N. Wacker - it has gone through the neighborhood approval process which is an additional process beyond the City of Chicago. The neighbors along Wacker are asked to look at the project. This took about 3 weeks and Mr. Rieger expects the permit within the next few weeks and to have the parking lot operating by the end of summer.

On a motion by Mr. Hill, seconded by Mr. Brown, the Committee approved putting 711 Jorie up for sale.

The Plan Attorney spoke about how the Plan acquired interest in Lake/Wacker and Jeffrey Manor and two corporations were set up to acquire them. The corporations were called CTA RAC I and CTA RAC II. The Lake/Wacker building now has been taken down and is a vacant lot. The second property which we acquired and restructured in our corporate form is Jeffrey Manor. We took an assignment of the beneficial interest in an land trust of that particular property to avoid the transfer tax and we set up CTA RAC II. That loophole in the real estate transfer tax has now been closed so we no longer have a need for CTA RAC II. It is an administrative burden and a cost to maintain these two separate corporations. The Plan Attorney saw no reason to continue the maintenance of the corporation. Mr. Burke's recommendation was to terminate the corporations.

On a motion by Mr. Thomas, seconded by Mr. Brown, it was unanimously approved to terminate these two corporations and allow the Retirement Allowance Committee to be the beneficial owner of both of these properties.

Mr. Robert Apodaca of Kennedy Associates reported on the two acquisitions for the Dallas area that were reviewed at last month's meeting and the Committee approved subject to the review of the Townsend Group. Mr. Berlin of the Townsend Group pointed out some issues regarding replacement reserves, the sprinkler system, Dallas Market and the way returns are reported. Mr. Apodaca and Mr. Berlin are working on these issues and this should be settled soon.

On a motion by Mr. Stevens, seconded by Mr. Thomas, the Committee unanimously approved the Real Estate Subcommittee Report.

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

Mr. Collins requested approval of items a through h with the necessary corrections.

Mr. Forte spoke about Mr. Earl Johnson who had not worked since January and had been sent a discharge notice in late March. He died April 19 and his wife claimed he did not receive the discharge notice. Around April 16 there was a letter in which he had signed for the incentive. At that time, Mr. Forte called Local 308 to inform them that he should not send anything to the Pension Office and that he has to go to the Mart to sign up. Mr. Forte asked the Committee whether the survivorship option for Mr. Johnson's widow would be calculated at 2.40% or 1.85%. Mr. Hill felt it was 2.40% because it had been agreed upon at a previous meeting that eligibility started from the first of the year. The Plan Attorney agreed.

Mr. Forte reported that Mr. Willie M. Beene, who was on the list of retirees for June 1st, will not be retiring at this time. He did not understand the correct procedures to follow. He has to wait until CTA gives him a date and then he will file his pension papers.

Mr. Thomas wanted it shown in the records that he had revoked the B-1/2 option

A motion to dismiss has been filed in the Larry Murphy case but there has been no ruling according to the Plan Attorney.

Mr. Forte reported 11 individuals asking for retroactivity. He brought up the case of James Yancy who asked for retro back to 4/1 and the records show that Mr. Yancy drew sick pay up until April 20. May 1 would be earliest he could retire. According to Mr. Collins the records should be adjusted to show a May 1 retirement date.

Mr. Forte said a letter was received from Mr. Gregory Williams, Yardmaster, who



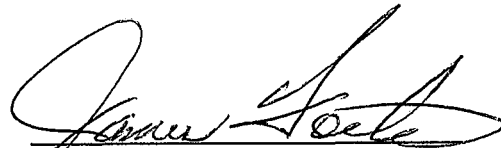
quit back in 1975. He worked at CTA from 1965-75 and returned to CTA October, 1980. He would like to bridge service and retire under the new incentive program. A letter will be sent stating this cannot be done.

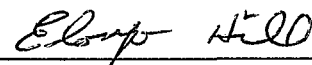
Mr. Forte spoke about a letter sent to Mr. Hill from the widow of Jerome Krasowski who died February 15. He was suppose to go on retirement March 1. Mrs. Krasowski was paid 2.40% at A-1/2. She is asking for A-100%. Mr. Hill said Mrs. Krasowski said in her letter that his intent was to choose option A-100%. The problem was he passed away before the papers were even mailed out. Because the papers were not mailed out, it would have been impossible for him to make such an election. Therefore, his benefits are as described in the plan A-1/2 automatically. Mr. Burke wrote to her last week informing her we could not honor this request.

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

7. Old Business - The Plan Attorney discussed how at the April Meeting a letter from Mr. T. Czech to Mr. D. Perk regarding the continued service of certain union officers who elected to take retirement but continue to serve in that function to complete their term of office was discussed. Mr. Burke wrote a letter to Mr. Czech expressing his opinion that it is not inappropriate for the individuals so named, Messrs. Thomas, Collins and Morris to complete their term of office. The thrust of Mr. Czech's letter was that the individuals would be serving the same function after retirement as before retirement. There was nothing in case law or statutes that would bar them from serving. Mr. Burke said to accept Mr. Czech's argument would be to suggest that Local 241 is the employer under our Plan, and the employer under our Plan is not Local 241 but the Chicago Transit Authority. Mr. Williams said a request had been made for Mr. Czech to come before the Committee, and he wanted to know what happened to that request. Mr. Hill said he asked Mr. Czech and told him the Committee had asked for him to appear. Mr. Czech asked the President if he had to attend and the President gave him the option to decide, and he chose not to attend.
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 April, the performance for the total fund was 2.83% and the value of the total assets of the Plan as of 4/30/97, amounted to \$1,522,433,541.

10. The Committee unanimously agreed to adjourn at 10:50 A.M. to Executive Session.

  
James Forte

  
Chairman,  
Retirement Allowance Committee

Dated: June 24, 1997

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