

AGENDA

For the 604th Retirement Allowance Committee Meeting of May 25, 1999

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 SouthLaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 603rd Meeting held April 27, 1999.
4. Investment Subcommittee report.
 - a) Financial 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) Linda Downing - #5977 - (disability) - request for retro-activity to 05-01-99.
 - (ii) Chuck Edmonds - #13135 - (disability) - request for retro-activity to 06-01-99.
 - (iii) Jose A. Garcia - #23069 - (disability) - request for retro-activity to 10-01-99
 - (iv) Bobbie Jordan - #1058 - (disability) - request for retro-activity to 03-01-99.
 - (v) Marvin Q. Reddix - #7927 - (disability) - request for retro-activity to 04-01-99.
 - (vi) Portia Siller - #22811 - (disability) - request for retro-activity to 12-01-98.
 - (vii) Anthony B. Watkins - #1825 - (disability) - request for retro-activity to 05-01-99.
 - (viii) William T. McHugh - #36138 - (disability) - request for retro-activity to 02-01-99.
 - (ix) Albert Winfield - #11466 - (disability) - request for retro-activity to 05-01-99.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
7. Old Business
8. New Business
9. Executive Session
10. Adjournment

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RETIREMENT PLAN FOR CTA EMPLOYEES

NOTICE

To: Retirement Allowance Committee Members and Alternates
From: Pension Department
Date: May 19, 1999
Re: RETIREMENT ALLOWANCE COMMITTEE MEETINGS

THIS IS TO ANNOUNCE THAT THE MEETINGS LISTED BELOW WILL BE HELD TUESDAY, MAY 25, 1999 AT THE NORTHERN TRUST COMPANY 50 S. LASALLE STREET, IN THE DIRECTOR'S DINING ROOM ON THE 6TH FLOOR.

- THE SUBCOMMITTEE ON GENERAL ADMINISTRATION AT 8:30 A.M.
- THE INVESTMENT SUBCOMMITTEE AT 9:30 A.M
- THE REAL ESTATE SUBCOMMITTEE AT 10:30 A.M.
- THE RETIREMENT ALLOWANCE COMMITTEE MEETING AT 11:30 A.M.

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 604rd Meeting of the Retirement Allowance Committee was held on Tuesday, May 25, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

Mr. Isiah Thomas, Chairman
Mr. T. Collins
Mr. L. Brown
Mr. J. Williams

Mr. D. Anosike, Vice Chairman
Ms. S. Leonis
Mr. R. Winston
Mr. M. Acosta
Mr. J. Kallianis

L. Morris sat in W. Black's stead. Alternates also present were P. Anderson and P. Beavers. W. Ross and C. Lewis of the Pension Office Staff were in attendance. Ms. Pamela Newton of Northern Trust Company was present. Mr. R. Burke of Burke, Warren, MacKay & Serritella was present. Messrs. C. Wesley, C. Spears, J. Henderson and H. McGhee were also in attendance.

1. The Chairman called the meeting to order at 8:30 A.M.
2. A roll call was taken which indicated that a quorum of Committee members was present.
3. On a motion by Mr. Brown, seconded by Mr. Anosike, the Committee approved the Minutes of the 603rd Meeting.
4. Mr. Williams, Chairman of the Investment Subcommittee, reported on the meeting held this date.

Mr. Joachimi talked about the manager search. I sent out a new booklet to you and we added names of people that were suggested. We agreed in the last meeting that Oppenheimer Capital would be released. Mr. Williams said Oppenheimer gave him a call and they requested to come in to address the board.

Mr. Joachimi said the top crew are the pure index managers and it is really the reason why we could consider the Northern Trust. Remember at the last meeting Mr. Burke said that would probably fit because it is a pure index fund. They all manage the money in a very similar way. Rhumblin Advisers is the only minority firm in this group. Amalgamated Bank of New York is managed by Golden Sachs. Bankers Trust Company was recommended by one of the Board members. Northern Trust is here because they are saying is that they do not make very much money on just being your Master Trustee. Mitchell Hutchins was recommended by one of the members and State Street Global Advisors was recommended by a member. The largest of this group is State Street.

Ms. Leonis asked, should we give it all to one or do we split it up. Mr. Joachimi replied there are political reasons and there are nonpolitical reasons. I would like to see you do it with one. But if you did it with two it is not going to increase the cost other than with the bank because there is a cost for accounts. You got a minority, a union connection and the bank connection. Ms. Leonis said that this is a big decision. Is it possible that we bring in the top four (Rhumblin, Amalgamated, Bankers Trust and Northern Trust) next month to make short presentations.

Mr. Joachimi said I would not worry about the five basis points. They are all so close to each other that you really got to pick names that you want to see. In this case I would think that the political position will mean a lot. Where do you feel most comfortable with this situation. Because the numbers are going to fall right on top. Ms. Leonis said to bring in Mitchell Hutchins also. We bring in the top five and give them five minutes plus questions. We did that when we had our search the last time and it went pretty well.

Mr. Joachimi said that you want me to do everybody but State Street and you want that for the next meeting. The other core managers, I think definitely you can only choose one. You can see the numbers they are just about one plus better than the index. We like the firms because it gives us slightly better than the index. I always look for a plus. That is why the index plus guys are here. I think you should listen to what they say. These are big firms. INVESCO, Inc. is out of Atlanta, New York and Boston. All they do is manage money. They are not a bank or insurance company. They have something like \$45 billion. Aeltus Investment Management, Inc. is an insurance company in Hartford, Connecticut and it is one of the top four insurance companies. Aeltus has about \$35 billion. Ms. Leonis suggested to bring one of them in next month.

Mr. Joachimi said he would suggest that you should. You are going to listen to the pure index guys I would say that you should at least hear what they do and how they made the plus.

Ms. Leonis said that perhaps since there is some unreadiness about an insurance company coming in perhaps we bring in INVESCO, Inc. and Northern Trust in that category. Then we bring in Rhumblin, Amalgamated, Bankers Trust and Mitchell Hutchins.

Mr. Joachimi stated that on the index plus you are getting into more of a money management situation where the pure index fund does not fit. Which would mean then maybe Northern Trust would not be qualified in this area. It does get more into money management and I thought you had a restriction that applies to Northern Trust. Ms. Leonis asked what is the difference between our relationship with Northern as opposed to Harris who we clearly did use in this capacity previously.

Plan Attorney replied that we have taken the point back during the time with Harris that that would not be a wise move because you are basically having your Trustee pass upon the qualification. It effectively is hiring itself. We nominate to Northern Trust investment managers then they go through a screen to see if they have the ability to

handle these type of funds. When Northern is looking upon these other people except themselves they are using their discretion. If they are hiring themselves there is a bit of a conflict in this regard.

Ms. Leonis asked is there a way that Northern can be judged by somebody else to make sure they are not monitoring themselves. Somebody else could monitor them.

Plan Attorney answered, I would not be the one to do that because I do not have the capability. If someone were to do that individually it would probably be Mr. Joachimi. Someone has to overlook that function if you are going to retain Northern for that particular purpose. That would be the only way to address this particular problem.

Mr. Joachimi said if you did not own the top 15 stocks in the index you did not do well. The shift now is going so that our managers are doing better. Your small guys who got hit very hard last year and did very well in April. In fact your International managers were among the performers and we all know that the their has not been doing that well.

The Plan Counsel read a report to the Committee on ABN-AMRO and First American. They were nominated by this Committee and they have been approved by Northern Trust. They are all set to go. All we need is instruction from the Pension office and Mr. Joachimi in regard to the source of funding for those two investments. The Northern Trust has again brought to our attention their difficulty in acting without an Executive Director. They are raising the question of maybe their Trust relationship should be amended for them to take directions from other people, because they are not taking them from the Executive Director. We have no Executive Director. This is just another aspect of the problem because of the void in that position.

Janus is requesting that they be allow to be paid their manager fee on a monthly rather than quarterly basis. Consistently we have been paying fees on a quarterly basis. They want to go to monthly. Ms. Leonis asked why is that. Plan Attorney replied that they would like to get their fees quicker. Mr. Collins commented that they were told how we do things and they accepted it. I think we can politely say no.

The Plan Counsel continued. The Weiss Peck & Greer venture we hope to be funding that the first week in June. I like to distribute a suggested amendment to the investment strategy in regard to implementing MBE WBE goals and guidelines in an Affirmative Action Program. I worked on this pursuant to the Committee's direction. I am not suggesting that you actually take on this now but possibly be put on the agenda next month after the Committee had a chance to review this.

I was asked to go through the records of the Committee in regard to the history of the RXR investment.

This goes back to a period beginning in July of 1996. There is the first reference to there being consideration for RXR to make a presentation.

The next entry is August of 1996. At that point and time there was a presentation made by the RXR group.

Then in January of 1997 reading from the minutes. Mr. Hill then reminded the committee that recently a presentation had been made to the committee by Piper Capital and by RXR in regard to assuming investment responsibilities. A motion made by Mr. Steven's, seconded by Mr. Williams. The Committee unanimously recommend Northern Trust that it consider the retention of Piper Capital to handle investment portfolio of \$25 million and the retention of RXR to handle investment portfolio of \$25 million. That motion was passed. The Committee unanimously approved that Investment Subcommittee report.

Then in August of 1997 there was a report that we were working on the RXR documentation April 22, 1997.

We then go to September 23, 1997. Ms. Leonis asked that the RXR come before the Committee again to discuss derivatives. Mr. Hill wanted to make sure the Committee fully understood what the deal consisted of so it does not end with a Hart Barnhoff situation. Mr. Williams thought the Committee was not going to deal with derivatives at all. RXR will make another presentation at the next meeting. Mr. Joachimi felt comfortable with RXR and stated derivatives are being used by some bond managers. That is September 23, 1997.

The next entry that appears October 21, 1997. Mr. Hill asked the Plan Attorney to give an update on RXR as it relates to Northern. Counselor said the RXR structure was reviewed by Northern. RXR has come back with a substitute structure. The substitute structure was reviewed by Northern. The substitute structure would be as follows. The Committee would nominate Credit Swiss the large international finance firm as the investment manager for RXR. Credit Swiss would handle the 20 million dollars of the fund to purchase US treasury and Credit Swiss would retain RXR who would handle the \$5 million dollars of the portfolio in regard to derivative trading.

Mr. Thomas stated his discomfort with derivatives. The Plan Attorney then explained the structure that was originally purposed. Northern said it was uncomfortable with RXR wearing both of those hats that is why we did not like that. That is when RXR went out to get an opinion because of the process slowing down. RXR said look we step back from having the whole portfolio. We retain Credit Swiss as an investment manager. Credit Swiss will retain us as investment manager. This is a revised structure possibly might well be approved by Northern.

Credit Swiss is a first class operation that has historic performance. Ms. Leonis said that if they have a new structure they could come in and make the new presentation to us. RXR spoke to us at our special meeting but he did not speak about the new structure, nor did we meet anybody from Credit Swiss. Mr. Hill said that Northern is not

comfortable with the original structure and it is important to have this on record so that the Committee is clear.

The Committee did approve RXR already. They were approved under a structure that Northern was not satisfied with. If they are going to change the structure it would require the Committee to vote again.

November 25, 1997. For the record Mr. Hill wanted to know if Ms. Newton had any comments on Northern perspective in regard to RXR. Ms. Newton said Northern was looking for documentation from outside counsel or the Attorney General office. RXR's Attorneys were not ready to present a opinion they chose to go the Attorney General office. Northern's legal department is satisfied and has signed off on it.

February 25 ,1998. Mr. Sanford brought up the fact that one of the special meetings about a year ago, the Committee hired a manager who we did not give any money to. Mr. Joachimi said there were three managers. Mentor, Piper Capital and RXR. Two were hired \$25 million was put with Mentor and \$25 million with Piper Capital. RXR is in limbo. There were questions brought up about RXR at the November meeting regarding derivatives.

April 28, 1998. Mr. Williams asked where do we stand regarding RXR. Mr. Thomas said that he heard Mr. Anosike had signed off on RXR. Mr. Thomas said they never signed off because everyone had a problem with RXR. If you look at the minutes it is clear that the Committee decided and Mr. Williams clearly had a problem with signing off on that. Mr. Williams had wanted RXR to come before the Committee again. Mr. Anosike understood RXR had been approved for 25M he felt RXR has been approved and there was no reason for rescinding but he did agree that they should be brought before the Committee to explain the derivatives. Mr. Williams understood that they were to be held up until they were brought before the Committee. He felt we should not be going forward if members of the Committee had these questions. He wanted to know the what the status of RXR.

Mr. Anosike said that sometime in 1996/97 this Committee voted \$25 million to RXR. Ms. Leonis said yes the approval for RXR came back for some changes. The Committee had significant problems with what they were doing. They resolved these issues but the Committee on a whole had concerns regarding the question of derivatives and they did not explain the question of derivatives when they came in. Ms. Leonis would like the Committee to reevaluate that and they have not as yet. Ms. Leonis said that there is no reason that the contract should have been approved. She said the Committee did approve something in 1997 but the Committee has significant concerns with that. She said she is sure the minutes reflect that this Committee had questions.

The Plan Attorney did not think the transaction had been funded to date. Mr. Burke thought the authorization letter that Mr. Anosike signed is from Northern. The

paperwork is moving through Northern but it is not funded. But it went over to the bank based upon the Committee approval but the investment has not yet been funded. According to Ms. Leonis it was voted to fund RXR how it was originally submitted to the Committee. However it is clear in the minutes that we have asked someone to look at it and want to speak to RXR again.

Mr. Williams wanted to know if the transaction can be held up until we are satisfied one way or the other with RXR. Mr. Burke said a motion can be made. A motion by Mr. Williams, seconded by Mr. Thomas. The Committee unanimously approved the motion that funding for RXR will not go forward until further direction of the Committee. Mr. Anosike wanted a roll call but Mr. Thomas said it already passed it was a voice vote. Those are the minutes. They go back to July of 1996. The last entry being April 1998.

Mr. Collins asked when was RXR actually funded. Counsel replied that they were funded in October 1998. Mr. Thomas stated that what I got from the minutes especially the last statement is that we still did not approve funding. The last thing you read is that we said that we are going to revisit. A vote came down and that vote passed that we would hold the money up. Subsequent to that particular meeting to my understanding we did give them some money. We did not approve it and it happened. I think we set a very bad precedent in doing what we did in that particular case. The minutes are crystal clear that we did not approve RXR.

Mr. Williams added that it is very clear that we did retain them but we did vote to hold funding because we had problems with RXR. I do not recall them ever coming back in again after we requested them to come in. I know I have not seen them to this date. It is my opinion that they should not be funded until this body takes a vote.

Mr. Anosike said since I am the one involved here maybe I could say something. Unless we are listening to a different set of records other than the one Counsel has read. RXR was approved. The issue is voting not the actual distribution of funds to them. Plan Counsel has read but he stopped short of the final position. Because when your motion fell and Mr. Thomas moved me out of order the actual minutes for the Committee were not approved. I do not know why he did not read that section. I want everybody hear to know that when he came to the Investment Committee for that particular meeting it was not approved. Which meant that the previous record stands. I think the records ought to be clear that I did not do anything out of protocol. I have significant respect for the history of this Committee.

Mr. Williams said I am just concerned where we are and I am still concerned with RXR. I picked up the portfolio and I saw RXR. That is why I brought it back to the Board. Evidently they are funded if they are in the portfolio.

Plan Counsel stated that I have read to you what the minutes reflect. My understanding is the investment was approved. There was talk about the structure but the structure Northern found unacceptable. The investment was improved with the split between

Credit Swiss for \$20 million and RXR for \$5 million. There was a discussion which I read in the last set of minutes. Mr. Thomas called for the vote it was a voice vote. Mr. Anosike called for a roll call and Mr. Thomas said it passed.

Mr. Thomas said that once a motion pass and then you come back and ask for a roll call, procedurally I did not see any need for a role call because the action was actually over with.

Mr. Collins stated for one I have a problem why was there haste in carrying out this transaction. Obviously there was some unreadiness with several Board members. That alone should have been something that held the funding back until everyone was satisfied and ready to go forward. I think that everything we do should be a consensus, otherwise we lose control and sight of what we are trying to do. Mr. Williams added that this type of action is something that we do not want to get in to unless we have the consensus. If management side has unrest I think we should address that concern and the same for the union side. Because we are talking about the Plan and the health of the Plan for the members.

Mr. Williams asked Counsel has the money been allocated already. Counsel replied the funding was October 14, 1998. Mr. William requested that Mr. Joachimi keep a close watch on RXR. We need reports coming in on them as often as possible. Counsel asked that we have on the agenda next month the affirmative action consideration. Mr. Williams answered yes.

- a) Financial Report - Wayne Ross then turned the Committee's attention to Report of Deposits, Disbursements and Investments in the Trustee Summary and stated that the value of the fund on April 30, 1999 was \$1,840,978,931 with a monthly performance 4.55%.

On a motion by Mr. L. Leonis, seconded by Mr. L Brown, the Committee unanimously approved the Investment Subcommittee Meeting.

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

Presentation by Brian Reiger regarding the sale of Jeffery Manor.

Plan Counsel asked do you think \$3.3 million is market. Mr. Reiger answered yes. Plan Counsel discussed projects that REEF is involved with. We have the vacant land at Devon and Park Blvd. The Elk Grove contract have been signed with earnest money up and we are in the contingency period. On the property at Lake and Wacker. We have \$2 million of non refundable earnest money in our pocket. They have until the spring of next year to close the transaction and that clock is running. Grant Berlin gave fourth quarter real estate report. What I also want to do is strategic planning which has called for 60% of your assets for core investments, 20% would be for non core

investments and 20% for public REITS. We have three investments we would like to recommend to the CTA. These are all non core. TA Associates based out of Boston, Paine Webber and Walton Street. Collins asked if we do these changes how will it improve our general real estate portfolio. Grant Berlin said what I would do is increase the allocation to non core by about 10%. What that should do is the non core investments are a little higher returns. That type of portfolio should increase your return. Non core investment are shorter term investments. Grant Berlin said what I want to do is we have right now in the allocation to the public sector public REITS and remove the allocation to REITS. Mr. Thomas asked are you suggesting that we bring on some of these individuals today Mr. Chairman.

On a motion by Mr. J. Williams, seconded by Mr. L. Brown, the Committee unanimously approved to nominate \$15 million each to Walton Street and Paine Webber to Northern Trust for approval.

On a motion by Mr. L. Brown, seconded by Mr. T. Collins, the Committee unanimously approved the Real Estate Subcommittee Meeting.

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

Mr. Ross gave a report on refunds of contributions, death report, retirement application to be approved and bills for the Pension Office.

Mr. Collins addressed the Plan Attorney. We have some expenses that are do to Larry Murphy. Where are we with that.

The Plan Attorney then explained. At the last Committee meeting it was a discussion about the possibility of making a contribution as requested by the Authority to a settlement of litigation. That question was deferred, because the Chairman was not present for that discussion. There is going to be a more extensive court hearing on the matter shortly this mid summer, but nothing is happening to see if there is going to be a settlement opportunity presented here.

As you recall the Authority is anxious to put together a package by way of a settlement to Mr. Murphy of some \$200,000. They have asked for a contribution from the Retirement Plan. As I mentioned at our last meeting the dispute principally goes to the Supplemental Retirement Plan because of the administrative order issued by Mr. Savage. The suit is against both the Retirement Plan and the Supplemental Plan.

Mr. Thomas said I do not think it is legal for this Plan to make some kind of contribution to some litigation especially when we are not part of it. It was strictly a Supplemental Plan administrative decision. I am opposed to taking money out of this Plan to try to undo something that the Chicago Transit Authority did. Nobody on this particular board especially from the labor side is part of that Supplemental Plan. Mr. Williams added

that I am in total agreement with the Chairman. We should not be part of it. The Plan Attorney said that he will report that to the Authority.

Mr. Anosike asked if there a need for the Committee to take a position on this. Counsel answered unless there is a motion on the floor to authorize the settlement I do not think the Committee needs to take a position. Mr. Thomas said as long as the record show that we were opposed to involving this particular Plan I think that may be adequate.

Mr. Williams stated that our position is clear. There is no bridging we never made any application to allow people to do that. That was done with the Supplemental Plan. Mr. Savage did not have the authority to make the changes here.

Mr. Thomas talked about the dollar amount that Mr. Morris brought up. I understand you are saying that these are legal fees that the Plan is paying to defend our position. The Plan Attorney replied that we do not have a bridging aspect to our Plan. Consequently, any argument about bridging will be most inappropriate towards this Retirement Plan. That is what we are saying to the judge. The trial judge thus far has not seen the distinction between the two. This is not a particular able judge in this area. It may well be that he will rule against us on this matter. We would then file a motion in the appellate court to take it out.

Mr. Williams said that my concern was that we could go for the settlement and get this thing over with. But if we go with that settlement then we could open up the gate for other people.

Mr. Morris questioned Mr. Ross about the report. Have you caught up with the deposits yet. Mr. Ross explained that we are missing it because it is appearing on the last day of the month after the cut off time. We have it but it doe not show on the trustee report. It is usually received the first day of the month following. One day when that guy get the money there prior to 2:00 then it will reflect the two months.

Mr. Collins said we talked about making an effort to try to get that money there so that we could avoid this problem. It is just a matter of getting the money before 2:00 on that particular day. Mr. Anosike replied that in respect to CTA making that particular contribution, as long as we are complying with appropriate timeline I can not do anything beyond that.

Mr. Ross stated that I did sign and send back to the CTA the postings for the Retirement Clerk job and Pension Representative job. Ms. Gloria Cage one our pension representatives has been out sick since April 15, 1999 and we do not know what her situation is going to be. It looks like she may be out longer because they are talking about surgery.

Mr. Thomas said a few months ago I went before the Committee and told them that the Pension office was down two people. I also told Ms. Valerie Jarrett the Chairman the

situation. At that meeting she indicated to go on and do what you have to do to make sure that we are fully staffed. We are looking for temporary help. We want to make sure that these people come back to their former positions. I was going to ask Mr. Ross to get in touch with Ms. Jo Carol Huston and bring her back in a temporary capacity until we get some kind of staff in there. Mr. Collins asked how can we do that and not effect her pension check.

The Plan Attorney explained that when an individual works over there, they are viewed as employees not independent contractors. If she were to be employed by a separate entity called the Retirement Allowance Committee that is distinguished from the CTA that would be a new move. We have not done that in the past except for the Perk situation. Everyone else that have been over there have been an employee with the CTA.

A move that would have to be made would be for this Committee to say we as an employer ourselves are going to employ a individual, she would be our employee. Which would put her in the same situation as if she were to leave the Authority and go to work for Marshall Fields or some other company. There is nothing barring an individual from working for an employer other than CTA after retirement. The Retirement Allowance Committee would become an employer unto itself. That would not impact her pension with the Authority. We would be an employer.

Mr. Collins asked would that establish a precedent which would change the practice that we have in place on how we do fill some of these union jobs.

Counsel replied it could establish a precedent. That would be something for the Committee to pass upon because as an employer you could feel that slot as you saw fit in the future.

Mr. Williams asked if we did go that route could we then make it a none precedent setting situation so that we do not interfere with the union jobs. The Plan Attorney said that First of all I would think the Committee should approve if they are going to go this route. If you are an employer then you set up a mechanism as to who fills those employment slots. That would be an agreement between management and union or you have to decide if the residing chair could fill those slots and how the slots are filled.

Mr. Thomas said that we have to do something. We should have done something 8 months ago. I did not think it would interfere with the practice that we have in place by putting in somebody temporary. Does anyone have anything against Mr. Ross making contact with the lady and see if she want to come in work temporary. Mr. Collins asked Mr. Thomas if they should have Counsel draw up something that would satisfy our concerns.

Mr. Anosike said that whatever Counsel draws up as much as we do not want this to be precedent setting I think that everybody ought to know that we are going in a totally

different direction. If you want this to be temporary we should go to a temporary agency. If we are doing anything other than that we are basically an employer. I gets us in totally different direction.

Mr. Collins asked can we hire an employee under specific terms. Mr. Thomas asked about Mr. Russell Pirovano. Mr. Ross explained that he was on a month to month basis. I do not know how that was handled. I know there was a situation of paying him and then of course the employment office who continually sends me letters saying pay up based on Mr. Pirovano situation.

The Plan Attorney said if you hire a person as an employee you are an employer. You got social security responsibility, unemployment compensation responsibility, and workers compensation responsibility. You hire a temporary service it is strictly a contract relationship. That individual is not an employee. There is a distinction. Mr. Thomas suggested to just give Mr. Ross the authority to go and hire temporary people. Before you actually hire somebody let me know what temporary agency that is.

The Plan Counsel talked about a letter directed to Mr. Thomas that goes to the question of the tax treatment of unrecovered contributions made by employees. We said we would have a letter available for distribution to people. That is just a matter of information I made that report at the last committee meeting.

After the last Committee meeting, I contacted Eileen Winikates at Ernst & Young and asked if she would please expedite the study which she was doing. She responded and I wrote to the Chairman. She advised me that she had nothing to report in regard to the material that had been submitted in regard to Mr. Monroe or Mr. Jones. She had nothing to report regards to duplication of time. She did give facts to me a report indicating pursuant to our direction indicating those dates and the material that was filed by Robert Baughn. Where there was an entry on the Authority's records indicating he was employed by the Authority. There was also a entry on the union records indicating that on the same date during the same time frame he was employed by the union.

Those dates on a report here which begins in January 1994 and runs through of June 1995. The reports would indicate for illustration.

January 3, 1994 shift work for the CTA, 5:30 - 1400, he began at 5:30 am was on the clock until 2pm in the afternoon. Then it indicates union records Archer 8am, Archer 9am and Archer 10am. There is no ending for those different union entries as to when that 8:00 service went to or how long the 9:00 service or the 10:00 service.

The suggestion which I make to you so we can close this entire chapter on these matters would be as follows: The Committee should determine, because I only have the records that have been supplied by Mr. Baughn to the accountants, as to how much time would we credit to that 8:00 entry. Is that a 15 minute entry, is it a half hour entry

or is it a hour entry. It should not be more than a hour because you got something a 9:00 and something at 10:00.

I would suggest you pick a time frame. What ever you pick you have got to be reasonable for union business within that point and time. That time frame would then be a calculation that would be made by Mr. Ross in the Pension Office as to how much compensation was covered at Authority rates for that time frame. That amount of compensation for time slot would be back out of his compensation for that date for that year for that calculation. All the rest of Mr. Baughn's time would be accepted. A calculation would then be made as to what his pension eligible earnings would be. The correct calculation would be billed to the Authority to pay for the part time union officer and we would close the Robert Baughn chapter.

Mr. Collins stated that if there is a credit for 8 hours for company and 8 hours for the union the 8 hours for the union would be reduced to 5 hours. The credit he would get for that day would be 5 hours plus 8 hours.

Mr. Thomas asked how many days and what are the total amount of hours out of all that time that he could lose. Counsel replied thirty one and that is just taking an arbitrary hour calculation. What is important it is what employer pays the contribution. They have gone through the study we have this report the question is how much to accredit. Mr. Anosike asked what would be your recommendation.

The Plan Attorney said I would take a hour for each one of these entries. Either take it from the Authority or Union time. We are talking about 31 hours over a year and half.

On a motion by the Mr. Williams, seconded by Ms. Leonis, The Committee unanimously approved to calculate the hours as per the report provided by Ernst & Young with the money being backed out of the Authority portion that had been paid in.

The Plan Attorney talked about the three files that were turned over to him for review. Jose Salis went out on disability on July 1, 1997 he came back to work in March 1999. He completed his 25 years of service on October 30, 1998 and he would have been eligible for the second phase of the Voluntary Early Retirement Incentive Program. Which was open from July 1, 1997 until December 31, 1999. His period would have been to make the election from July 1, 1997 to February 28, 1998. He would have been eligible but the election period closed before he came back to work. As you know people on disability pension are not eligible to participate in the Voluntary Early Retirement Incentive Program. Mr. Salis did return at the point in time that I mentioned in March still within the second phase period. But it was to late for him to make the election. He did not receive a package of information because he was on disability. The question is posed what about Mr. Salis in regard to his ability to be in the Voluntary Early Retirement Incentive Program. There may be other cases coming down the path but we have not had a case like this before.

Selmon Broughton is very close to Mr. Salis but he has not returned from Disability benefit. Here is his history. He went out on disability on August 1, 1997 and is still on disability. He was on sick pay prior to that time from January to July 1997. He was diagnosed as having cancer. His 25 years of service would have concluded on April 11, 1999 and he would be in the second phase of the Voluntary Program as well. But he did not receive a package of data because he was on disability.

These two cases are very similar to each other. Both out on disability. Both over the 25 year hump. But the distinction is Selmon Broughton is still on disability, Jose Salis has returned to work. They did not receive packages of information because we did not give them to people who are on disability. But now they are in this position here.

Mr. Salis is off of disability. He is back to work prior to the end of this year. I would think he is entitled to the program. Selmon Broughton as long as he is on disability he can not participate in the program. Because it is very clear it was designed for active employees. If Selmon Broughton were to pass the medical and would have come back to work during this particular period and time I do not see why he should be treated any different from Mr. Salis.

Mr. Collins said that this is our second Incentive Program and with each there has been a conservative effort to make sure that none of the language changes to keep it as air tight as possible. What we have done when posed with the question from a disability retiree is simply. The incentive has been for active people and because you were not active you did not receive a package. We have more or less left it that way. What you are proposing, it sounds reasonable but what does it do for the air tight package that we had up until now.

Plan Attorney said that you are saying that we can not have a disability pension and come into the Voluntary Program. Because of the unique features this Voluntary Program has a situation where you can become eligible for the program. You can make an election for the Voluntary Program but you can stay on the employ of the Authority for a year and a half there after base upon the Authority's making a selection date for you to leave. It is a little bit different from the first plan because you have this gap in time frame.

You got people like Jose Salis coming in back to the Authority during this particular time frame. He was disabled, he had the 25 years during that point in time. He comes back after the election period but still before December of this year. Now we can say to Mr. Salis, no I am sorry you were not eligible to participate because you were not there when you had to make your election. The fact of the matter is the gentleman is back on our employ since March of this year and he could be employed until the very end of this year until the Authority gave him a date to step aside.

If the sprit of the Voluntary Program was to address individuals with 25 years of service who made the election then the difficulty I have in saying no to Mr. Salis is he was

barred because of a disability. His disability has passed he has been cured he is back to work. Selmon Broughton is still on disability.

Mr. Collins said then we would have to send a notice to every single person that is on disability to notify and also try to identify who may have asked us questions and we told them absolutely not.

Mr. Williams stated the reason why he would lean toward what Counsel is saying. We could be forced into some kind of litigation if we do not move in that direction. Because I would think that this person would have a legal right to be offered the Incentive once he come back. If we did not make these individual aware back at that time, I think this is lacking on our part by doing that. Somewhat similar to when a person make a pick for there run for CTA.

Mr. Kallianis said my concern on this whole thing is that I do not know how we police or follow up people who take a disability pension afterwards. My concern would be that they sit there and hide out without any follow up from our Committee or the Pension Office. I say that without knowing what the follow up is until something better comes along. Counsel replied that there has always been a bit of suspicion that people sort of sit in the bushes on disability. Periodically the Retirement Plan has called people back for medical check ups to see if they still are disabled. But looking at Mr. Salis's situation. He was disabled and he passed the test to come back to work still within the time frame. Can we defend that if we are challenged in court. Someone who is still disabled who does not pass the physical to come to work, different situation.

Mr. Thomas asked was he back during the window period. Counsel replied no he was not. This guy came back on March 1999 the window period for him closed February 28, 1998.

Mr. Collins said I think it pretty clear to everyone here what was negotiated. What we need to think about whether or not we feel we can defend that position and whether we want to spend money in litigation if it goes that far. Mr. Thomas added that we always took the position that we would not compromise the credibility of this Plan. Mr. Williams said that before we take any action on this could we delay it for one month. I would personally like to look at the language.

Mr. Kallianis questioned the administration of disability. What I would really like to hear is how we follow up on them. We have like 800 people on disability. I do not know how often we they are called back. Mr. Collins said that before James Forte left he made some reports on what we did with that. There was a full fledge method of trying to identify. Counsel said that we wrote to people and there were follow up letters. Mr. Williams said that within the last month I had one of my members come up to me she was in a accident. She had both of her legs broken and has been off on disability. She got a letter from the Pension Office saying that she has to go before the doctor and get an examination. This was recently within the last month.

Plan Counsel talked about Mr. McGhee. According to the record he submitted his election to be in the program on March 7, 1997. He was going to have his 25 years up on June 30, 1997. Mr. Thomas Czech accepted the application on October 15, 1998 and he was given a retirement date of January 1, 1999. Since that particular point and time as I understand it Mr. McGhee has been receiving the 2.40 since his retirement date of January 1, 1999. He was in area 605 from January 23, 1997. He completed his 25 years on March 15, 1995. He had his 25 year by June 30, 1997 so he was with in the Program.

The issue with Mr. McGhee is that he is looking for retro-activity on the basis that although he submitted his application after having had 25 years of service. He submitted it on March 7, 1997 and was effectively held in a 605 capacity until January of this year when he got the 2.40.

The Authority under the terms of the Plan has the right to set the retirement date. This Committee does not have the right to set the retirement date. The Authority set the retirement date whether good, bad or indifferent. I do not see this Committee having the ability to say to Mr. McGhee we believe that you should have had an earlier term. If we open the door and we start determining when people should of retired. We are taking on the responsibilities given to the Authority.

Mr. Collins said I believe that there has been a precedence set on this subject. Mr. Morris and I routinely went to Mr. Czech when the incentive first started identifying those that were quote unquote not available for the company via the sick book or 605. Once we gave that name to Mr. Czech he put that person on the rolls for next month retirement. Mr. McGhee would have had that benefit as well if had he not been a part time union officer. Which was the sole reason that he was held out as long as he was. The records will reflect that this consideration was given in the manner in which I am speaking. I feel then that if this Committee has no power then maybe we need to solicit the CTA to try to get them or reason with them on the subject to assign Mr. McGee another date.

Mr. Morris said that the people that were on 26 weeks and not actually retired on disability. Those people had the option of notifying the Authority that they had signed for the Incentive and they wanted to bypass the disability pension. Once they notified the Authority that they wanted to take the incentive and was not planning on coming back to work they were given 2.40 and a date.

Mr. Anosike said that we have raised a series of issues this morning that are borderline expanding of going beyond the Incentive Program. This particular casethe provisions call for CTA to assign those dates. I understand the human elements that you are talking about but I do not think that it is in the best interest of this Committee to go beyond our actual powers.

Mr. Williams said I did do some checking into a case similar to Mr. McGhee's. I do believe he could sue the CTA for back wages because they held him because of his union affiliation. I would suggest that he go in that direction. Mr. Collins suggested that the Plan Attorney draw up some kind of letter on this subject with all the content of what you heard and address it to Mr. Czech and let him respond. Mr. Anosike said if I understand this correctly Mr. McGhee wrote a letter to this committee. I believe this Committee ought to respond to his letter and then Mr. McGhee ought to respond to CTA. I do not believe that we should be writing CTA.

Mr. Thomas asked Counsel if he can approach the CTA and see what their position is on changing the date for Mr. McGhee. Plan Attorney said that I can write a letter to the Authority and say this question has come before the Committee. We are not passing on it. Here are the facts of it and it has been referred to you. It would not be appropriate that we are going to argue in favor or against what ever position they take.

Mr. Morris asked Counsel about the letter concerning tax treatment of unrecovered contributions. Counsel replied there are two aspects of the employees contributions. If the individual dies and has not received a refund and have not received payments over period of time for his contributions he gets them back from the Plan. Mr. Ross added that if they do not get their total contributions back in terms of the pension benefit then we would pay the differential. If they got a thousand a month and had \$20,000 in the Plan they died prior to that 20 months they would get the differential back as a refund. Mr. Morris said \$19,000 plus \$8,000. How long have we been doing this.

Mr. Ross said as I understand it the Plan has always done that. If a person had \$20,000 contributed into the Plan and was getting a thousand a month and died after receiving one check the beneficiary would receive the difference which would be \$19,000 in the form of a refund.

Mr. Morris said I brought the question up because I received calls. A member was dying and they would only receive the death benefit. The way I understood the that is it should be amortized over the years. Mr. Ross said that is the problem with the tax law changing. They amortized that contribution over 20 years. The Plan stayed with the version of if a person draws benefits from us that equal his contribution to the Plan there is no refund. At the same time the tax ramifications, where he gets maybe a thousand dollars a year none taxable would be spread over that 20 years. The beneficiary who files that final tax return on a deceased employee would have to take the credit for any amount that was not used as nontaxable for the pensioner.

Mr. Morris said our people that die right today that retired five years that we know a life expectancy of 20 years have 15 years worth of contribution left up there. Are they being refunded those 15 years or not. Mr. Ross said no. If they have been retired five years they have gotten their benefit from the Plan which exceeds what they contributed. So if a guy was there five years and got a thousand dollars a month that is \$12,000 times 5 that is \$60,000 in benefits from us.

Mr. Morris said the law says that since 1986 if I retire I look at a life expectancy for 20 years and I only get credit for that amount of money that is nontaxable. Are we within the law legally to withhold that money from them legally under the tax plan of 1986.

Mr. Collins further explained. That amount has been projected out over 20 years based upon the tax law. Therefore if a person dies after five then there is amount that has been projected over the remanding period. Does that amount then stay in the plan or is it refunded to the deceased member. Mr. Ross said that has already been paid out to him. That little bit that is non-taxable has to refer to their tax situation.

Mr. Morris said that before 1986 when I went on retirement I did not pay any taxes on my monthly check until after fifteen months because that was all the money I had put into the Plan and I had already paid taxes on it. My money came out first. In 1986 Congress passed the law saying that that money would be actuarially projected over the future that I was going to live and I only draw that amount of money and get tax credit on that amount of money.

Mr. Collins added that we have something that said that we are suppose to do something very specific from 1986. Which is to spread it out over a period of time. What allows us to do what we are doing. If it has been decided that it is going to be amortized based on what the government says, what is it that tells us that if he dies early then we will choose this course of action. Is there anything written that says we are suppose to go that way.

Mr. Ross said I think that basically the Plan document spells out how we would pay a refund. We are looking at total dollars.

Mr. Collins asked has the Plan document been altered based on the 1986 findings. Mr. Ross said I do not think the Plan has changed because those are two separate things. The tax situation and the Plan situation. We base it on dollars expended to a pensioner. Uncle Sam is saying he wants tax dollars sooner so he is going to spread that out from 20 to 25 years. The tax benefit is different from our cash benefit.

Mr. Collins asked is the way that we are doing things based on our interpretation of the what the Plan document says. Counsel answered correct. Mr. Collins said I think we need to look at that Plan document and see if it adequately represents what we are trying to do. Mr. Morris stated not what we are trying to do but if it is with in the law. I do not believe we are with in the law of the 1986 Pension act of Congress.

Ms. Leonis addressed Mr. McGhee and instructed Counsel that when you write the letter to the CTA if you feel as though you are not getting a response could you contact Mr. Anosike or you could contact me. I found an auditor to take the place of Ernst & Young . The name of the company is Hill and Taylor. They are a local minority company that specialize in financial compliance audits and employee benefit audits.

They have a staff of 25. They currently provide service for the Chicago Police Benefit fund, the Milwaukee Railroad and Fort Warner. I would like to recommend them. We could bring them in just as a courtesy visit after we have retained them perhaps next month.

On a motion by the Mr. Williams, seconded by Mr. Brown, the Committee unanimously approved to engage the services of Hill & Taylor for the external audit.

Mr. Collins said that there have been some concerns of this Committee on how Y2K situation with Northern Trust. He then introduced Karen Shaumburger who gave a presentation on the Y2K situation with Northern Trust.

Mr. Collins requested approval of items 6a through 6f.

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

7. Old Business - none

8. New Business - none

9. Executive Session - the Committee went to Executive Session at 11:45 a.m. The Committee adjourned from the Executive Session at 12:00 p.m.

10. Adjournment - There being no further business, the Committee adjourned at 12:00 p.m.



Wayne Ross

_____ Date


Chairman,
Retirement Allowance Committee