

# AGENDA

## For the 60<sup>9</sup><sup>th</sup> Retirement Allowance Committee Meeting of October 26, 1999

1. Meeting will be called to order at 08:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th Floor.
2. Roll call.
3. Approval of the Minutes of the 608<sup>th</sup> Meeting held September 28, 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) Bernice Anderson - #9176 - (disability) - request for retro-activity to 10-01-99.
    - (ii) Eddie Anderson - #23960 - (disability) - request for retro-activity to 09-01-99.
    - (iii) Mary C. Johnson - #2964 - (disability) - request for retro-activity to 10-01-99.
    - (iv) Willie J. Thomas - #22041 - (disability) - request for retro-activity to 03-01-99.
    - (v) Pedro Lugo - #34751 - (disability) - request for retro-activity to 10-01-99.
  - 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: Mr. H. McGhee  
Plaques from 191 Wacker  
Selmon Broughton  
Jose Salis  
Mrs. Krasowski
8. New Business
9. Executive Session
10. Adjournment

## RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY

The 609<sup>h</sup> Meeting of the Retirement Allowance Committee was held on Tuesday, October 26, 1999, at the Northern Trust Company, 50 South LaSalle Street, 6th Floor. The following were in attendance:

Ms. W. Black, Chairman  
Mr. L. Brown  
Mr. J. Williams  
Mr. M. Barnes  
Ms. C. Ogletree

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

Alternates present were L. Morris, I. Thomas, P. Beavers, B. Rayford, L. London, M. Caffrey, 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 were 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. Revisions were made to the Minutes of the 608<sup>h</sup> Meeting as follows:

Page 5, 5<sup>th</sup> paragraph, 5<sup>th</sup> line, clarification on sentence, "He retired under VERIP."  
**Mr. Krasowski did not retire.**

Page 7, 4<sup>th</sup> paragraph, 3<sup>rd</sup> line, should read as follows "they did not do" not, **they did not pay.**

On a motion by Mr. Brown, seconded by Mr. Winston, the Committee approved the Minutes of the 608<sup>th</sup> Meeting with the above clarification and correction.

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

Mr. Joachimi discussed Pharos Capital a minority venture capital firm that we committed \$5 million. There has been some news in the state of Connecticut where the alternative program that they were implementing which included Pharos was being released. Some of them were in place and Pharos was not. They lost their whole commitment. The reason was the Treasurer was getting kick backs on finders fees. The very first thing we did was call them and told them that we had to check out and see if Pharos was clean. We found out that Pharos was clean. Mr. Youngblood did not

offer any finders fee money to anybody. I got the name of the Attorney name in connection with Connecticut. I would suggest that we get the final approval when the Plan Attorney talk with the Attorney.

The Plan Attorney then continued. We have held up for the moment moving forward on the Pharos documentation. If it is the Chair's wish I will contact the Attorney identified in the correspondence and report back to the Committee. Another investment entity involved in the same scandal in Connecticut is Walton Street Capital.

The press indications that are coming out reading to you from a publication named P&I Daily, October 21, 1999, "Walton Street Capital paid finders fees not to the State Treasurer but to another entity a Mr. Stack's firm of some \$494,000." We have held up on both Pharos and Walton Street pending a clarification to see if there were any improper conduct that should be brought to the Committee's attention. There is also a question of Paine Webber involvement as well.

I will make the inquiry in regards to Pharos and also on Walton and Paine Webber. Just raising these names does not suggest that there is anything improper. Since they were matters which were before the Retirement Plan we held up on those until we get some clarification.

Ms. Black asked Mr. Joachimi if the Plan pays finder fees and are we subject to the same type of investigation.

Mr. Joachimi answered no. Pharos called on us directly. We have a whole department that only deals in alternative products. We do not get any finder fees.

The other thing that we have today is the potential search for value managers. We presently have in place Delaware Asset Management and Fidelity. As our value managers we have one of them which is not being considered is Kenwood. We are talking about \$438 million. The firms that we are going to look at are two Chicago firms one of them being Mesirov who is here to give a short presentation. The other firms were Edgar Lomax and Paradigm. One way to get it going is that you start to see some of these people.

Where do we stand on Oppenheimer and putting in place the three managers that we hired for the core positions: Northern Trust for the pure index fund, Aeltus with the core plus type management and Invesco. I think we are waiting for a letter to be signed and then we can go ahead and assign the portfolios. One of the questions that was raised by the bank was maybe it would be a good idea if the key people involved got together to make sure we all understand what the bank needs. What forms we have to go through when we hire or fire somebody. In this case we have fired somebody and hired somebody.

Mr. Burke stated that when the Committee goes through a process of interviewing prospective candidates and decides on a course of action. A vote is taken. If there is an approval by both sides labor and management on retaining an investment manager then there is a nomination letter that comes forth which we prepare and give to the Chairman. The Chairman then sends to Northern Trust saying effectively the Committee is nominating for the Northern Trust to hire XYZ investment manager. Northern Trust then starts a process of due diligence. They go to the investment manager and ask for details. The standard they are looking to is a proven successful track record of handling significant sums of money in that particular area of the investment market in which they profess expertise.

While that investigation is going on by Northern Trust where they are asking for records and performance statistics from the investment manager, we send to the investment manager this customary investment management agreement that have been put in place for all the managers. Invariably there are some questions which come up from counsel for the investment managers on provisions. There may be some clarifications but basically we hold to the same basic investment management agreement which calls for their performance which retains the right of the Committee to terminate on 30 days notice. We come to an agreement with the investment manager, after looking at the material to determine that what is in the documentation is consistent with the presentation on the business terms to the Committee.

Then, while we are looking at that the Northern Trust is doing their due diligence. Once that review is completed then nothing happens until a funding letter is signed by the Chairman authorizing the Committee and Northern Trust to go ahead and fund the investment. Prior to that funding letter there is documentation executed. There is a due diligence search at Northern Trust and there is a funding letter that comes from the Chairman which then is signed for Northern Trust to fund. Then the Committee working with Mr. Joachimi will give some sense of direction as to what the source of that funding would be. That is the process which is followed in each of the instances.

The termination is a much more abbreviated process. The Committee by vote of both labor and management will vote to terminate the manager. That communication then will go to Northern Trust to effectuate it. Mr. Joachimi given some coordination to exactly how funds are going to be transferred, what securities may be liquidated and what securities may be held. That is the process in general which is followed under a termination of investment. Because under the terms of the Trust Agreement which was put in place by the Retirement Plan the retention of investment managers is not a decision of the Committee; it is a decision of the Northern Trust exercising their fiduciary responsibility. The Committee's role is to screen and nominate for review by Northern.

Presentation given by Mesirow Financial.

Mr. Joachimi said we have to see some of the other managers that you have in the books. I would suggest that we accomplish that situation with a separate meeting. I am prepared to come out anytime.

- 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 September 30, 1999 was \$1,750,749,510.00 with a monthly performance -.53%.

Made funding yesterday of \$5 million to Capital Associates on the real estate side. Our cash balance after that accord is approximately \$15.5 million.

Ms. Rayford asked Mr. Ross that in the future can we have a statement from the office that amends this report in relationship to the contributions. That indicates what came in, when it came in and for what period it is supposed to cover. Also, for the next meeting I would like a run down on how the contributions have come in for the entire year of 1999. If we got October in November it should state that. So we can have a record of what comes in after the book is printed.

Ms. Rayford then asked Mr. Ross if she is getting the correct interest accrued on my pension account.

Mr. Ross answered the interest is generated when the bank receives the contribution from the CTA for employee employer. That earns interest at the bank level the day it is received. The interest calculated on all rank and file is 3% that is calculated once a year when we receive the tape from the CTA. That indicates the salaries for the year and then at that point we calculate the 3% interest. When we update our flex quote system then there is a calculation crediting 3% interest to each employees account.

Ms. Rayford asked the Plan Attorney about interest lost. What can be done.

The Plan Attorney answered it can be done in two ways. If the Committee were to vote and give direction to initiate litigation for collection. As fiduciaries you are obligated to pursue the proper contribution just as you are the proper disbursement of funds. You could initiate that after a motion passed at the Committee level. If such a motion were not to be passed at the Committee level not to authorize litigation, you would then have the recourse to go to arbitration by way of tie vote between management and unions. The matter would be referred to arbitration to be addressed by an arbitration in regard to the problem and what regress would be in order.

Mr. Williams said we talked about the Gardner Rich brokerage minority firm. We wanted them added to the list. We are not asking that they be given any money or

work, just to be considered. If it is the pleasure of the board I would like to have them also considered.

On a motion by Mr. Williams, seconded by Mr. Barnes, requested the Committee to approve the Gardner Rich being added on as an investment broker.

There was a roll call of members as follows:

Ms. W. Black	yes	Mr. D. Anosike	no
Mr. L. Brown	yes	Mr. R. Winston	no
Mr. J. Williams	yes	Mr. M. Acosta	no
Mr. M. Barnes	yes	Mr. J. Kallianis	no
Ms. C. Ogletree	yes	Ms. S. Leonis	yes

The motion did not pass.

On a motion by Mr. Brown, seconded by Ms. Leonis, 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.

Mr. Berlin introduced Mr. Steve Burns as the Consultant for Townsend.

He then discussed the Paine Webber and Walton Street issues. As you know CTA made commitments of \$15 million increments to both Walton Street Fund 3 and Paine Webber. Recently there has been some issues come to light concerning the State of Connecticut and their use of private placement agency in terms of identifying funds. Private placement agencies are paid a fee if they identify a fund. What has come to question is rather the private placement agents were indeed throwing money back to the state of Connecticut and their Treasurer. That is under investigation. We are working with Mr. Burke's office in terms of identifying if there are any implications to the CTA in terms of there investments in Walton Street and Paine Webber. We are working with both Paine Webber's attorney and Walton Street's as well. Walton Street issued a statement that they cooperated with the investigation. Townsend and Mr. Burke's office will issue a letter in the next couple of weeks once we get through with our due diligence in terms of what exactly happened.

Mr. Berlin continued with the second quarter report. The second quarter the CTA had a total gross return of 3.1%. Your portfolio as far as the stable return has done exceptionally well for the one year at 14.4% vs. the index of 14%.

The RREEF separate account which they took over has three assets left. 191 North Wacker has been sold to Hines Interest, but they have not closed on that transaction yet. They did make a payment of \$250,000 deposit last week. They now have paid

\$2.25 million. That is the CTA's money. They have a substantial amount of money in this investment. RREEF anticipates that they will close on this investment on schedule on April 15, 2000. At which time the balance of \$13.3 million will be billed. It is possible that Hines may come back and ask for an extension. RREEF and Townsend will assess it at that time. We may want additional earnest money. They are fully committed it is non-refundable. Hines has received all the entitlements and zoning. They looking to go forward. They are looking for a lead tenant before they break ground.

Jeffrey Manor is under contract with the Lears Company. It is a local operator. The purchase price is \$3.6 million. He has \$50,000 that went hard last week. That is not a large amount of deposit so he could still possibly walk away, but at least we have that \$50,000 in the bank. They were the only bidder on the property. There is no one else if this deals falls through. The current value is \$3.3 million. As I mention the contract is for \$3.6 million.

Elk Grove is also under contract. The Concord Development Company has a \$45,000 deposit towards their purchase of \$3.8 million which is also the current value. They are looking to rezone this for a multi-family development. They are still in the entitlement process of discussing this with the city. Hopefully we will have some resolution during the fourth quarter or early in the first quarter of 2000.

That will entirely clean out the RREEF separate account among those assets that they inherited.

We have right now about \$10 million left to finish up our non-core search. That is assuming that the Paine Webber and Walton Street investments get funded. There are three potential candidates that we are looking at. One is Kennedy Niche Partners they have not been able to raise any additional money. That is a concern with their ability to execute their strategy in there fund. TA Associates came in a month ago and RREEF also has a new value added fund. We are doing due diligence with that. What I would like to do in the next several weeks is to meet with the Real Estate Subcommittee and make a formal recommendation in terms of where we recommend that \$10 million be invested.

The Plan Attorney asked Mr. Berlin to address a question that has come before the Committee. You act as the investment manager for the CNL investment because they do not have the structure to handle that themselves. We have another one pending which is Capri Capital Management an investment for \$15 million. The only way we can structure that investment would be by asking Townsend to be in that capacity. In regard to the fee structure if you were to undertake that could you respond to the Committee on that.

Mr. Berlin responded. When CNL was set up you needed a registered investment advisor to act as a fiduciary between the system and the advisor. We are registered

advisors so for a fee of 25 basis points we act as that fiduciary on your behalf. The same situation has come up again with some of the more recent commitments. We would be willing to act as a fiduciary on behalf of the CTA for a reduced fee rather than 25 basis points. Because at the time when we said 25 basis points it was not something we expected to be on going. We thought it would be a one time transaction. Because this is something that has happened more often and because of our relationship with CTA we would reduce that by 30% to 17.5 basis points. To act as your registered investment advisor on your behalf.

Mr. Acosta asked the Plan Attorney what are our other options if we do not go with Townsend.

The Plan Attorney answered to not go with Capri and to look elsewhere for an investment vehicle. If you were to bring in a third party to fulfill that function they would have a learning curve.

Mr. Kallianis asked Mr. Berlin what does Townsend do for the Plan for CNL. Mr. Berlin answered for CNL we examine that on a quarterly basis in terms of their operations. That investment is structured so that there is certain options that the CTA would have. We analyze that on a quarterly and on going basis to see what the best strategy would be for the CTA going forward. So we take on additional levels of fiduciary responsibility that we do not have with the other investments.

Mr. Winston asked is it over-sight or decision making. Mr. Berlin answered it is over-sight and the decision would go through Counsel and the Board. But we take a more proactive role in that.

Ms. Rayford stated that the rest of our accounts you just look at them and show us the returns on them. You do not look at the property to see if there is any problem. You do not do anything that you would do for the current fund.

Mr. Berlin said for the current fund we look at the performance and report the returns. If an issue comes up we look at any issue that arises that pertains to the CTA whether it is a separate account or with a company or fund, or if an issue comes up that requires the consent of the Board we do look at that in terms of giving you our recommendation. We are not proactive in terms of going in there and saying, what are you doing or how. We recommend certain structures or certain processes in order to facilitate and improve our clients position that we do not take that role with the other accounts. We take a more passive role until an issue comes up and then we act on it.

Ms. Rayford said for the first fee you do book keeping and if there is a problem you go find out what the problem is and bring it to us to make a decision. For the second, you do book keeping, check out the numbers and you are proactive you give us advice. I do not see the difference.



Mr. Berlin further explained. The difference is when we act as investment advisor we are much more proactive in terms of a different level of fiduciary responsibility to you. When issues do arise we are taking out more of an investment advisor role. Where as a consultant role is more passive we wait for the issue to come to us. As an advisor we are much more proactive in helping the structure and benefit the fund whether it is a disposition or a restructuring. Anything along those lines we have a higher level of responsibility.

Ms. Rayford restated a regular fund you will keep investigating if necessary and advise if we have trouble after the fact. If trouble is already out there then you can not explain it to me. On the other side you book keep, you look at the problem and you look for problems coming up and then you are involved. The other one you let us know after the trouble is out and on the other side you try to prevent. You let us know up front that something is coming down the pike.

Mr. Berlin answered that there are additional levels of responsibility that we do have to you. We are directly responsible for those investments. We are answerable to you.

Mr. Acosta said Mr. Brown and I will speak to the Plan Attorney about what our options are.

On a motion by Mr. Williams, seconded by Ms. Leonis, the Committee unanimously approved the Real Estate Subcommittee Meeting.

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

Mr. Barnes gave a report on refunds of contributions, deaths, retirement applications to be approved and bills for the Pension Office.

Mr. Ross said I received a fax from Local #308 for last years IFEBP conference attended by Mr. Williams. They are looking for a approval of his hotel and one cab fare for the amount of \$1,696.08.

On a motion by Mr. Brown, seconded by Mr. Kallianis, the Committee unanimously approved that Union Local #308 be reimbursed for the expense incurred by Mr. Williams at the IFEBP conference in 1998.

Mr. Barnes requested approval of items 6b through 6f.

On a motion by Mr. Acosta, seconded by Mr. Kallianis, the Committee unanimously approved the General Administration Report.

7. Old Business

The Plan Attorney explained the issue of Hugh McGhee has been before the Committee a number of occasions. Mr. McGhee was a part-time union officer and applied for the VERIP. He has brought to the Committee his complaint that he was not given a date and he was eligible for a date and asked that he be accorded the courtesy of receiving a benefit retro-active to an earlier date than the first of this year. The VERIP provides that the date is to be set by the Authority. There has been a number of efforts. The parties on the Authority who would have jurisdiction of this have not responded to those request. The Committee does have the entitlement to address the administration of the Plan. If the Committee feels that there has been a breach of the spirit of the VERIP in regard to Mr. McGhee. I do not think it is inappropriate for the Committee to take action in favor of his request. We have requested particular individuals at the Authority to review this. We have gotten no response. The Committee in that situation can step into a void.

Mr. Kallianis said that Mr. Czech said that the Authority has already made a date. The Retirement Allowance Committee can go ahead and give him a retro-active date but it will not come from the Authority.

Ms. Black asked should we have something to protect us as far as the legalities of that. Because under the VERIP it states emphatically that the Authority is the only body that can give the retirement date. Is this going to allow us to give retro-activity to everyone from this day forward.

The Plan Attorney said it is possible you could get those requests coming back to you.

Mr. Morris asked if this Committee cannot grant him a retro-active date where does he go.

The Plan Attorney said your only alternative in that situation would be for Mr. McGhee to take action under a arbitration or grievance procedure.

Mr. Williams asked what happens if this body does decide to move to get Mr. McGhee his retro-active retirement. What is the parameters of things that could happen to this body.

The Plan Attorney said two potential things. If the body did that by a vote of Union and Management the Authority could attempt to challenge that action. Saying the Committee is taking onto itself a prerogative which very clearly is the Authority's under the VERIP. They could challenge that in proceedings before an arbitrator or in litigation. The other thing you might have some other applications forth coming. Other fact situations that we are not aware of that would ask for retro-active retirement dates. It might be different causes and different reasons but you could have it coming forward to you.

Mr. Williams asked what would be the recommendation of the Plan Attorney.

Plan Counsel stated that this is a particularly thorny issue. This has been before you for a number of period of times. Mr. McGhee has stated what his belief is why he was not given that date. We have not heard any proof of that. We do not have any proof of discriminatory treatment. We do not have an accusation specifically to which there has been a denial made by the Authority. The Committee is at a very difficult situation. If this motion passed with the support of Union and Management people on the matter, I think that is the end of it. If management representatives on the Board support this that speaks to some indication.

On a motion by Ms. Leonis, seconded by Mr. Williams, requested the Committee to approve that Mr. McGhee be given credit from 4/1/97 at the 2.40 for retro-activity.

There was a roll call of members as follows:

Ms. W. Black	yes	Mr. D. Anosike	no
Mr. L. Brown	yes	Mr. R. Winston	no
Mr. J. Williams	yes	Mr. M. Acosta	no
Mr. M. Barnes	yes	Mr. J. Kallianis	no
Ms. C. Ogletree	yes	Ms. S. Leonis	no

The motion did not pass.

The Plan Attorney said I made inquiry. The plaques are at City Hall in a safe keeping room. They are under the direction of the Finance Committee. I have spoken to people on the Finance Committee indicating this Committee's interest in regard to identification of ownership of the plaques. The Finance Committee is looking into the ownership issue. I will press that issue and have a response next meeting. I pointed out to them that one of the issues that was raised at the our last Committee meeting in regards to the plaques. If they were to be displayed there would be a recognition of the ownership of the plaques being an asset of the Retirement Allowance Committee. In light of the fact that they were taken from the walls at 191 Wacker.

The Plan Attorney discussed Selmon Broughton and Jose Salis. Mr. Broughton has been out on disability pension from August 1, 1997 through the present date. He was on sick pay from January to July of 1997. He is still on disability pension. He is asking for an entitlement to participate in the VERIP. Participation in that program is predicated upon being actively employed. He is not actively employed and consequently can not be eligible for the VERIP.

Mr. Salis was out on disability but he returned to employment with the Authority after the point and time that he was entitled to file his papers for the VERIP. He did not get a set of those papers. We should take a look at the chronology on Mr. Salis' and if it appears that there was an oversight in sending that package to him. Because he may

have fallen in the crack between the point and time of being entitled to participate in the Plan and the mailing of the packages and coming back to work. I will take a look back at those facts to see if there could be some exception given to Mr. Salis on the basis that he did fall in the cracks and did not get those papers.

Ms. Black stated that Mr. Broughton will not be eligible for the VERIP based on the fact that he went on Disability 8/1/97 and is still off work at this present time. The Plan Attorney will get a letter out to Mr. Broughton and do further research on Mr. Salis.

The Plan Attorney discussed Mrs. Krasowski. He died on February 15, 1997. He was granted participation in the VERIP even though he did not file the papers. His wife was granted a 50% benefit under that as a surviving spouse. Mrs. Krasowski has had correspondence with the Committee asking for reconsideration because of her husband's firm desire that she receive a 100% spousal award rather than the 50%. The Plan provides that an individual who is in this position such as Mr. Krasowski only is entitled to a 50% benefit. Unless they make the election and they make the election at the point and time of the retirement. He was not there because he wanted to participate in the VERIP. At the direction of the Committee I contacted Mr. George Haenisch who was Mr. Krasowski's supervisor and asked if he would set forth the facts of the matter as he knew it in letter form. Which he did.

Dear Dick, this letter is to inform you of what I knew to be Jerry Krasowski's intent regarding his pension. On October 1995, Jerry was diagnosed with non-small cell lung cancer. He had surgery to remove what ever they could. He was off work for sometime as a result of the surgery and the radiation and the chemotherapy. When he returned to work in March 1996 there was talk of an Incentive Retirement Program coming up similar to the one in the early 1990's. Jerry realized his prognosis was not good and wanted to retire as the result of his illness. But he wanted to maximize his pension so he waited to hear what was being offered.

Since he returned to work in March 1996 with a guarded prognosis he began preparing monthly retirement forms in case his health worsened. On all of these forms he chose full survivorship options. In November of 1996 Jerry had a relapse. He had to undergo treatment again but his prognosis was extremely poor. He again talked about his pension. Jerry was a manager that reported to me in Facility Maintenance and he was also my friend. He confided in me that his condition was terminal and he wanted to make sure his wife received the most she could from his pension. He clearly indicated that he wanted the full survivorship option for his wife she would receive the same pension he would receive if he passed on. I believe this conversation took place in early 1997. We both discussed this since I would be eligible to retire also in the coming year. However, Jerry did not want to retire until we all knew when the effective date for the incentive retirement would be. We finally found out that March would be the effective date of the VERIP. Approximately February 1997, Jerry received his VERIP papers. He signed those forms and he returned them to me and I passed them on to the Jim Chmill, Facilities Administration Supervisor for processing. There is no question as

to what Jerry Krasowski intention was regarding his pension benefits. He wanted to maximize the benefits his wife would receive. He did select the full survivorship option. Unfortunately, Jerry died February 15, 1997.

Plan Counsel continued. The VERIP was available for people retiring March 1, 1998. He died 15 days before that point and time. There is no doubt from Mr. Haenisch's letter that it was Mr. Krasowski's intent to do so. The question that was asked of me last, was there some way that if the Committee could be of an assistance to Mrs. Krasowski with out setting a precedent which would be troublesome for the Committee in the future. The VERIP has been proven to beneficial in many respects but it has also proven to be a troublesome one for the Committee to handle because of the very nature of the Program. The VERIP was the only Retirement Program except for the prior one, when individuals who wish to participate in this program and receive the enhanced benefit had to wait a period of time from when they otherwise would be processing papers.

After the program was once announced to participate in the program. Mr. Krasowski was in that waiting period and he died in that waiting period. If it is the Committee's desire to be supportive of Mr. Krasowski, I think you have to view Krasowski as someone who effectively was prepared to and waiting for, as attested to by this letter from George Haenisch, but was unable to effectuate his retirement. Not because of any wish on his part, but because he could not be in that program at that particular point time and the papers were not ready for him to be in the book. That timing was one where the Plan was announced in late December then we had to prepare the documentation. That had to be reviewed and approved before it all went out. This is not a situation which is the same under our normal plan, but it is an exceptional situation. There is a slight window if the Committee wishes to be supportive. I can not give you an insurance someone else might not raise the question later on about the 100% survivorship option.

The Plan Attorney then gave a status report. The Mulcahey suit, which was a suite against the Authority and Union Local #241. That related to a claim by Mr. Mulcahey that he was not eligible to participate in the VERIP. That suit is being dismissed against the Retirement Plan. Second point, there is discussion at the Retirement Office in regard to the calculation in regard to Mr. McCollum. This has to do with the determination of pension eligible earnings for part-time union officers after 1995. A number of officers are involved in that but his request initiated the dialogue. We looked at the arbitration award that was entered and we are attempting to arrange a meeting. With Ms. Moss and Mr. Stanton on behalf of the Union and Mr. Daley and Mr. Stevens on behalf of the Authority to have the benefit of the interpretation of the arbitration award. Which is a very troublesome one to attempt to determine the correct calculation for pension eligible earnings on a part-time basis. I believe that possibly the input from the Attorneys from the union and from management may help to assist us in regard to interpreting how that award is determined.

Mr. Anosike asked Counsel will one of the issues to be determined by you and the rest of the counsel include the level of documentation that ought to be presented to the Committee.

Plan Counsel answered yes. I received correspondence from counsel for Ernst & Young, a Mr. Sylvester Deleto from New York. Mr. Deleto has advised us that he has received a subpoena from management of the Authority for the turn over of all the files of Ernst & Young while they were acting as the firms auditors. They are looking for that turnover tomorrow. Mr. Deleto had called last week and said would I consent to having the files turned over. I said that consent could only come from the Committee. He proceeded to suggest to the management that they have the arbitrator issue subpoenas for the turnover of the Ernst & Young records. The Ernst & Young records would be all the audit records that have been in place for a number of years in regard to the Retirement Plan.

He raises in his letter should we wish to review the documents or assert a privilege, I think that we have seen the audit report. The audit reports are what they are and the back up notes are what they are. In light of the arbitration going on between the Authority and Management I would await a direction from the Committee if there were some basis for objecting to this.

Ms. Rayford stated that there has been a problem with getting the parameters where any minority brokers can be on the preparation list. I went out and found Melvin Securities that had two seats on the Chicago Board of Trade. Instead of them getting on the preferential letter they wound up dealing with business with the Preferred Compensation Plan. I would like to know what is the real problem.

After further discussion Mr. Williams explained we are going to move on it, but management have asked to allow them the opportunity to do their due diligence of those individuals. That would only be fair to allow them to do that and then come back next month.

On a motion by Mr. Brown, seconded by Ms. Leonis, the Committee unanimously approved to hold in abeyance Mr. McGhee and Mrs. Krasowski pending further investigation and to be added to the November 1999 agenda.

#### 8. New Business:

On a motion by Mr. Kallianis, seconded by Ms. Leonis, the Committee unanimously approved the nomination of Mr. Barnes to become the Chairman of the General Administration Committee

Ms. Leonis said she would like to recognize Mr. Richard Stanton and Ms. Lisa Moss. When Mr. Holzhauser came to this Committee unannounced Madam Chairman you

walked out. I would like to say that from management you are always welcome we hope that Mr. Holzhauser is also welcome.

Mr. Thomas said the reason why the other counsel was not given the opportunity to sit because at that time we had a lot of heated discussions on issues that we knew were going to litigate.

Ms. Leonis said we still do.

Mr. Anosike said counsel have certain rights. They are either allowed to be here or not be here. Your counsel is welcome here and which ever form we choose to bring our counsel we ask that you accordingly respect.

Mr. Barnes asked why the Retirement Allowance Committee meeting packages were not received in a timely fashion.

Mr. Ross stated it is basically our ability to put everything together in time. Things developed in the office where we have a shorthanded situation. We apologize for the lateness. We try to shoot for a week prior to the meeting.

We interviewed people for a Retirement Clerk position and I would like to make a recommendation to personnel to offer that position to the people that interviewed.

Ms. Black said I sat in with Mr. Ross during that interview and we interview four people. That being a Union job they are done by seniority. The number one person that we are interested in is Belinda Phillips based on her seniority, knowledge and educational background.

On a motion by Ms. Leonis, seconded by Mr. Williams, the Committee unanimously approved of Ms. Belinda Phillips being retained as a Retirement Clerk in the Pension Department.

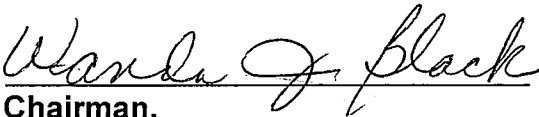
9. Executive Session - the Committee went to Executive Session at 1:00 p.m. The Committee adjourned from the Executive Session at 1:25 p.m.

10. Adjournment - There being no further business, the Committee adjourned at 1:30 p.m.

---

  
Wayne Ross

12-22-99  
Date

  
Chairman,  
Retirement Allowance Committee