AGENDA

FOR THE 439TH RETIREMENT MEETING OF JULY 22, 1985

1. Meeting will be called to order at 10:30 A.M., Steamboat Room, 14th floor, Holiday Inn Mart Plaza.

2. Approval of the Minutes of the 438th Meeting held June 17, 1985.


4. Quarterly Real Estate Report by Dr. Robert Zerbst.

5. Announcements of Deaths Reported since last Meeting.

6. Presentation of Survivorship Options.

7. Announcements of Pre-Retirement Surviving Spouse Allowances.

8. Presentation of new applications for approval.

9. Employees on Disability Retirement re-examined.


11. Report by Secretary of Deposits, Disbursements and Investments.

12. Presentation of Bills and Remittances.


   a.) Fiduciary Liability Insurance coverage for Retirement Allowance Committee - report by Plan Attorney.
   b.) Capital Advisors, Inc. - one year term to perform securities lending ends 07-15-85.
d.) Appointment of the Wyatt Company as Plan Actuary for the 1985 Plan Year valuation.

e.) Appointment of Arthur Young as Plan Auditor for the 1985 Plan Year audit.

f.) Review of quote from Wolfman and Moscovitch to perform actuarial valuation.

15. New Business.

a.) Burgess F. Peterson - elected to deny a Pre-Retirement Surviving Spouse Allowance.

b.) John Zupko - 15561 - revoked his application for retirement which was to become effective July 1, 1985 and which was approved at the Retirement Allowance Committee Meeting of June 17, 1985.

c.) Review of Arthur Young Report by Mr. James Martin.

d.) On layoff status in excess of 3 years:

   Cong D. Do - #1637    Laid off 05-01-82
   Naomi L. Tillman - #19593 Laid off 05-01-82

   Report by Plan Attorney.

e.) Review by Mr. Baratka of Section IV of the Actuarial Report dated June 12, 1985.

16. Adjournment
The 439th Meeting of the Retirement Allowance Committee
was held on Monday, July 22, 1985, at 10:30 A.M., in the
Steamboat Room, 14th Floor, Holiday Inn Mart Plaza. The
following were in attendance:

Ms. W. Black
Mr. E. Gresham
Mr. G. Nagle

The Vice-Chairman, Mr. E. Gresham, noted that
Mr. L. Morris was sitting in Mr. I. Thomas' stead. Mr. R. Jania
sat as alternate for Mr. R. Andrzejewski. Mrs. A. Curtis sat
as alternate for Mr. J. Gallagher. Mr. H. Reddrick sat as
alternate for Mr. D. Perk and Mr. L. Brown sat as alternate for
Mr. A. Kasmer, Jr. Neither Mr. C. Andersen nor his alternate
was present. Neither Mr. E. Flowers nor his alternate was present.
Mr. H. Reed was also present. Messrs. J. Mullen, Ms. P. Williams
and Ms. C. Cox were present. Messrs. W. Ashley and J. Weatherspoon
were present. Mr. G. Schedler of the Harris Trust and Savings
Bank was present. Mr. J. Baratka of The Wyatt Co. was present.
Dr. R. Zerbst of Piedmont Realty Advisors, Inc. was present.
Ms. B. Rayford, Local 308 was present. Mr. B. Scholz, retiree
representative, was also present.

The Vice-Chairman called the Meeting to order at 10:40 A.M.
The Vice-Chairman called for approval of the Minutes of the
438th Meeting, held June 17, 1985. The Secretary turned the
Committee's attention to the bottom of page 7 and the top of page 8 noting that there was a repeat and the first 7 lines of page 8 should be deleted. Mr. R. Burke, the Plan Attorney, then advised that there should be a revision on page 6 noting that it should state that Mr. Robert Hardy was receiving a disability retirement allowance at the time of his death on 1/24/84. The Secretary noted that these revisions would be provided to the Committee Members. On a motion by Mr. Nagle, seconded by Mr. Jania, the Committee unanimously approved the Minutes of the 438th Meeting as corrected.

Mr. G. Schedler of the Harris Trust and Savings Bank passed out and explained a report on the activity in the fixed income and equity market for the last 30 days and year to date.

At the Vice-Chairman's request, Dr. R. Zerbst of Piedmont Realty Advisors, Inc. presented the 2nd Quarter operating report on the direct real estate investments. Dr. Zerbst reviewed the report with the Committee covering both the indirect and direct investments of the Plan. A discussion ensued between Dr. Zerbst and Committee Members during which the Secretary suggested that Dr. Zerbst review the funding of the Plan's investment in the RREEF Fund. Dr. Zerbst explained that in 1983, $15 million was committed to the RREEF Fund as part of our indirect real estate policy. $5 million was funded in 1983 with the remaining $10 million to be funded over the next two years. Of that $10 million, $1 million was requested by RREEF in the spring of 1985 and the balance of $9 million remains to be funded.

The Secretary made the announcement of deaths since the last meeting, as per the attached list.
The Secretary informed the Committee that there were seven (7) Survivorship Options to be approved, which included an option for Julio Aranda pending proof of birth and marriage; and William B. Hiller, pending receipt of a doctor's statement. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously approved the Survivorship Options, including those pending receipt of necessary documents.

The Secretary informed the Committee that there were three (3) Pre-Retirement Surviving Spouse Allowances.

The Secretary presented eleven (11) new retirement applications for approval. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously approved the applications for retirement.

The Secretary reported that four (4) employees who are presently receiving disability retirement benefits were examined or had their file reviewed.

The Secretary presented fifteen (15) Refunds of Contributions for approval, totaling $153,492.58. The comparison figures for the same period of time one year ago was seventeen (17), totaling $139,378.06. On a motion by Mr. Brown, seconded by Mr. Nagle, the Committee unanimously approved the Refunds of Contributions to be paid July 31, 1985.

The Secretary turned the Committee's attention to the Trustee Summary and presented the report of Deposits, Disbursements and Investments, noting that the total portfolio had a market value of $632,404,931.61 at a cost of $576,601,208.78. The Secretary then asked Mr. Mullen to report on the Certificate of Indebtedness. Mr. Mullen noted that a payment of $2,798,002.00 which represented
two months of principal payments (May and June) and the interest payment (which was due in June) was paid on June 28, 1985.

The Secretary informed the Committee that the S & P 400 Price to Book ratio stands at 1.62. He noted that this level is marginally within the range which requires the Fund's equity ratio to be adjusted down to 50%. He further noted that he would await the 7/31/85 S & P 400 Price to Book ratio for a confirmation before recommending any action.

The Secretary reported that there was one (1) Chicago Transit Authority bill totaling $42,167.08; twenty-two (22) Operating bills, totaling $113,864.20; nine (9) Remittances, totaling $420,785.68; and the FIT Deposit, totaling $108,246.73. On a motion by Mr. Brown, seconded by Mr. Nagle, the Committee unanimously approved payment of the bills and remittances, totaling $685,063.69 to be paid July 31, 1985.

The Secretary presented for approval twenty (20) Death Benefits, totaling $65,000.00. The comparison figures for the same period of time one year ago were twenty-six (26) Death Benefits, totaling $67,500.00. On a motion by Mr. Nagle, seconded by Mr. Morris, the Committee unanimously approved payment of the Death Benefits.

The Plan Attorney turned the Committee's attention to the Fiduciary Liability Insurance coverage for the Committee. The Plan Attorney noted that Mr. Andersen has received quotes for premium rates for coverage for the officers and that the insurance carrier will not break off or agree to separate policies for the CTA and the Retirement Allowance Committee. The Plan Attorney also noted that the premium rates would be much higher. The Plan
Attorney further stated that Aetna Insurance has indicated that they will extend the policy for the Committee for three (3) years with the same provisions at a cost of $70,000.00 and will provide an additional $10 million of layer insurance coverage for an additional premium of $42,500.00. Mr. Burke advised the Committee that they were presently covered via an extension of the present policy. A discussion ensued between the Plan Attorney and Committee Members over the issue of separate coverage for the Plan and the CTA, including premium costs. The Plan Attorney recommended that this item be held in abeyance until the next meeting in order that Mr. Andersen could answer more of the Committee Member's questions. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously approved to hold the matter of the Fiduciary Liability Insurance coverage in abeyance until the August meeting.

The Vice-Chairman then turned the Committee's attention to Capital Advisors one year term to perform Securities Lending. The Secretary noted that this issue has been on the agenda for three (3) months and referred to a letter directed to the Secretary's Office in which Capital Advisors expressed a desire to continue as an investment advisor to the Plan. The Secretary also noted that the activity for 1985 was impacted by the shift to Harris Bank and activity in the account has also been reduced, since Harris Bank has been selling the remaining bonds. The Secretary noted that Capital Advisors has performed Securities Lending duties for the Plan for a year and a half and recommended that their services be retained. On a motion by Mr. Nagle, seconded by Mr. Jania, the
Committee unanimously approved to retain Capital Advisors, Inc. to continue to perform Securities Lending for the Plan.

The Vice-Chairman turned the Committee's attention to the status report on the Investment Consultant search. The Secretary noted that the Investment Sub-Committee met on July 10, 1985 to hear proposals from four (4) companies that expressed a desire to handle the Consultant duties for the Plan. The Secretary also noted that there is another meeting scheduled for August 2, 1985 when additional presentations will be made. The Secretary stated that he will prepare summaries after the final presentation and make them available to the Committee.

The Secretary recommended that Item 14(d) and 14(f) on the agenda; the Wolfman & Moscovitch proposal to perform the actuarial valuation and the appointment of The Wyatt Co. as Plan Actuary for the 1985 Plan Year Valuation, be discussed at the same time. The Secretary brought to the Committee's attention a letter from Wolfman & Moscovitch that was enclosed in the meeting material. The Secretary also brought to the Committee's attention the letter from John Baratka of The Wyatt Co. Mr. Brown then made a motion to defer discussion of Wolfman & Moscovitch and the appointment of The Wyatt Co. as Plan Actuary, until the August meeting. Mr. Morris seconded the motion, and the Committee unanimously approved.

The Vice-Chairman turned the Committee's attention to the appointment of Arthur Young as Plan Auditor for the 1985 Plan Year. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously approved to retain the services of Arthur Young as Plan Auditor for the 1985 Plan Year.
The Vice-Chairman turned the Committee's attention to a write-in on the agenda regarding the deceased disability pensioner, Robert E. Hardy. The Plan Attorney informed the Committee that upon follow-up with the attorney of Mr. Hardy's spouse, the Committee could not take action on this case in view of the fact that the Plan does not provide for a Survivorship Option when an individual is on disability retirement. The Plan Attorney also noted that since no error was committed by the Secretary's Office and the man was explained his rights when he chose the retirement benefit which did not involve a spousal benefit, no further action should be taken by the Committee on this case and it should be taken off the agenda. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously agreed that no further action be taken on this case and the matter should be removed from the agenda.

The Secretary informed the Committee that Burgess F. Peterson had revoked his Pre-Retirement Surviving Spouse Allowance. He also informed the Committee that John Zupko, had revoked his application for retirement which was to become effective July 1, 1985 and which was approved at the Retirement Allowance Committee Meeting of June 17, 1985.

The Secretary informed the Committee that Mr. James Martin who was scheduled to review the Arthur Young report was not able to attend the meeting and will be in attendance to make the report at the August meeting. On a motion by Mr. Nagle, seconded by Mr. Jania, the Committee unanimously approved to hold the Arthur Young report in abeyance until the next meeting.

The Vice-Chairman turned the Committee's attention to the next item on the agenda which dealt with two employees who have
been on lay-off status for more than three years, and asked the
Plan Attorney to expound on this matter. The Plan Attorney
noted that he had been in communication with Mr. Bernard Ford
regarding the status of Cong D. Do and Naomi Tillman and was
advised that there was no prospect for the return of these
individuals to duty. Therefore, according to the Plan, Mr. Do
and Ms. Tillman should receive no further employee benefits,
but would be able to withdraw their contributions and would be viewed as terminated with regard to the Plan. A discussion then ensued between the Plan Attorney and Committee Members during which the question was raised as to why these individuals were allowed to remain in lay-off status for this length of time.
Mr. Burke responded that Mr. Do was offered a position, but declined because of salary considerations. The Plan Attorney also stated that he had been advised that Mr. Do would be considered for one other position and if he should decline re-employment at that time, he will be informed that due to the length of his lay-off and the fact that he has declined re-employment, he will be administratively separated from the Authority. The Plan Attorney was advised that Naomi Tillman will remain in lay-off status until a further review of possible re-employment options can be considered. The Plan Attorney then noted that the CTA is not consistent in handling these cases and advised the Committee that these employees should be terminated from their rights under the Retirement Plan. On a motion by Mr. Nagle, seconded by Mr. Jania, the Committee unanimously approved that under Section 3.7(6) of the Retirement Plan for Chicago Transit Authority Employees, these individuals are terminated from their
rights under the Plan.

The Vice-Chairman then turned the Committee's attention to Section IV of the Actuarial Report and asked Mr. J. Baratka to expound. Mr. Baratka noted that there was a typographical error on page 22 of the report and the figure for retired employees age 65 or older receiving a monthly hospitalization supplement should read $39.77 instead of $90.71. Mr. Baratka then stated that he would not review the entire report but would entertain any questions that the Committee may have. Mr. Ashley then commented that the Secretary's Office had reviewed the items in Section IV against the Plan and agreed with them.

The Plan Attorney informed the Vice-Chairman that there were two additional items which he wished to address. The Vice-Chairman asked the Plan Attorney to expound on the matter. The Plan Attorney noted that the first item dealt with stock in Warner Communications that the Retirement Plan purchased back in 1982. He further noted that the company allegedly had failed to provide accurate financial statements as required by the Securities Exchange Commission. The Plan Attorney recommended that the Committee participate in the settlement of a class action suit being brought against Warner Communications. On a motion by Mr. Nagle, seconded by Mr. Brown, the Committee unanimously agreed to participate in the class action suit against Warner Communications. The second item that the Plan Attorney discussed was submission to the IRS of the Plan Document in the form of rules which he stated he would draft for the August meeting. He noted that there were two requirements under ERISA; one being that no participant receive more than $90,000.00 annually in benefits from the Plan;
two, there is a requirement for a statement by the Plan as to the actuarial assumptions used in calculating the accumulated Plan benefit liabilities. The Plan Attorney suggested that the Committee inform the IRS that they have accepted the actuarial assumptions used by The Wyatt Co. in their annual report. On a motion by Ms. Black, seconded by Mr. Brown, the Committee unanimously approved that the Committee accept the actuarial assumptions used in projections and evaluations prepared by The Wyatt Co. in its annual report to the Committee.

There being no further business on a motion by Mr. Brown, seconded by Mr. Morris, the Committee unanimously agreed to adjourn at 12:47 A.M.

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SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

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CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED ____________________