AGENDA
FOR THE 447TH RETIREMENT MEETING OF MARCH 17, 1986

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 446th Meeting held February 18, 1986.


4. Report by Trustee.

5. Announcement of deaths reported since the last Meeting.

6. Presentation of Survivorship Options.

7. Announcement of Pre-Retirement Surviving Spouse Allowances.

8. Presentation of new retirement applications for approval.
   a.) William Sorensen -- retroactive to 03-01-86.

9. Employees on Disability Retirement re-examined.

10. Presentation of Refunds of Contributions to be paid March 31, 1986.

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

12. Presentation of Bills and Remittances.


   a.) Non-payment by CTA of 3% employer contributions on the $600 lump sum payments to employees -- report by Plan Attorney.

15. New Business.
   a.) Ernest E. Guedel, Jr. -- revoked his application for retirement and his B-1/2 Survivorship Option which were to become effective on 03-01-86 and which were approved at the Retirement Allowance Committee Meeting of 02-18-86.
b.) Report by Sub-Committee (Mr. Perk, Mr. Nagle and Mr. Burke) on feasibility of investing short term money with other Chicago banks.

c.) Assignment of new pension seniority date as a result of the non-payment of contribution refunds within a 13 month period as provided in Rule 21.

<table>
<thead>
<tr>
<th>NAME</th>
<th>REINSTATEMENT DATE</th>
<th>ENTERED SERVICE DATE</th>
<th>AMOUNT OWED</th>
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<tr>
<td>Leon Harrison, Jr.</td>
<td>02-12-85</td>
<td>04-06-70</td>
<td>$11,172.00</td>
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The 447th Meeting of the Retirement Allowance Committee was held Monday, March 17, 1986, in the Steamboat Room, 14th Floor, Holiday Inn Mart Plaza. The following were in attendance:

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<tr>
<th>Mr. C. Andersen</th>
<th>Mr. E. Gresham</th>
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<tr>
<td>Ms. W. Black</td>
<td>Mr. A. Kasmer</td>
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<tr>
<td>Mr. E. Flowers</td>
<td>Mr. G. Nagle</td>
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<td>Mr. J. Gallagher</td>
<td>Mr. D. Perk</td>
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The Secretary informed the Committee that Mr. R. Jania was sitting in Mr. R. Andrzejewski's stead, and Mr. L. Morris was sitting in Mr. I. Thomas' stead. Messrs. H. Hegarty, H. Williams, and H. Reed were present. Mr. R. O'Connor was also present. Mr. J. Mullen, Ms. P. Williams, and Ms. C. Cox were present. Mr. W. Ashley, the Plan Consultant, was present. Mr. R. Burke, the Plan Attorney was present. Mr. J. Baratka, The Wyatt Company, was present. Mr. G. Schedler, the Harris Trust and Savings Bank, was present. Dr. R. Zerbst, Piedmont Realty Advisors, was present. Mr. Bill Barnhart, from the Chicago Tribune, was also present.

The Chairman called the Meeting to order at 10:35 A.M.

The Chairman called for approval of the Minutes of the 446th Meeting held February 18, 1986. Mr. Flowers made a motion for approval, Mr. Kasmer seconded the motion. On the
question, the Plan Attorney requested that Page 3 of the Minutes be revised to reflect that a commitment for the purchase of the land in Bannockburn, Illinois is subject to the satisfaction of conditions acceptable to the Plan. Mr. Nagle made a motion for approval of the Minutes as revised, Mr. Morris seconded the motion, and the Committee unanimously approved.

Dr. R. Zerbst of Piedmont Realty Advisors presented the 4th Quarter 1985 Indirect Real Estate Report, and a Report on Appraisals.

Mr. G. Schedler of the Harris Trust and Savings Bank presented the Trustee Report noting the activity in the market over the last 30-day period and year to date.

The Secretary made the Announcement of Deaths since the last meeting, as per the attached list.

The Secretary presented nine (9) Survivorship Options for approval; including an option for Booker T. Henry pending receipt of Chicago Transit Authority medical approval. On a motion by Mr. Flowers, seconded by Mr. Kasmer, the Committee unanimously approved the Survivorship Options including the option for Booker T. Henry pending receipt of Chicago Transit Authority medical approval.

The Secretary informed the Committee that there were two (2) Pre-Retirement Surviving Spouse Options to report, effective February 1, 1986.

The Secretary presented twenty-five (25) new Applications for Retirement; including a request for a March 1, 1986 retroactive retirement for William J. Sorensen as
March 1, 1986 retroactive retirement for William J. Sorensen as his application was submitted late due to illness. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the Applications for Retirement including the March 1, 1986 retroactive retirement for William J. Sorensen.

The Secretary informed the Committee that six (6) employees who are presently receiving Disability Retirement benefits were examined or had their file reviewed.

The Secretary reported that there were eighteen (18) Refunds of Contributions, totaling $97,357.48, for approval. The figures for the same period of time one year ago were fourteen (14) Refunds, totaling $141,348.68. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the Refunds of Contributions to be paid March 31, 1986.

The Secretary presented the Bills and Remittances for approval noting that there was one (1) Chicago Transit Authority bill, totaling $36,119.68; nineteen (19) Operating bills, totaling $17,675.82; ten (10) Remittances, totaling $444,360.95; and, the FIT Deposit, totaling $120,368.10. On a motion by Mr. Kasmer, seconded by Mr. Perk, the Committee unanimously approved the Bills and Remittances, totaling $618,524.55, to be paid March 31, 1986.

At the request of the Chairman for a report on the Deposits, Disbursements and Investments, the Secretary turned the Committee's attention to the Trustee Summary noting that as of February 28, 1986 the total portfolio had a market value of $711,269,691.97.
At the Secretary's request, Mr. J. Mullen presented a Report on the Certificate of Indebtedness noting that $1,411,658.76 had been received from the Authority which represented payments for January and February at $705,829.38 per month. Mr. Mullen further noted that the balance due is $15,528,246.39.

The Secretary then informed the Committee that as of February 28, 1986 the Price to Book Ratio of the S&P 400 stood at 1.86 and further noted that if the ratio on March 31st remains in the range of 1.8 to 2.0 times book a shift to a 40 percent equity exposure from the present 50 percent should be initiated. The Secretary further noted that the required reduction would amount to some 90 million dollars. He pointed out that the Fund currently has 9 equity managers managing 12 different equity accounts, and that this was instituted in July of 1984 when the Fund was 70 percent equities. With a reduction down to 40 percent, restructuring of the equity managers would be in order, and this would be best accomplished with the assistance of a consultant.

The Secretary presented twenty-seven (27) Death Benefits for approval, totaling $76,000. The figures for the same period of time one year ago were twenty-five (25) Death Benefits, totaling $47,000. On a motion by Messrs. Flowers and Andersen, seconded by Mr. Kasmer, the Committee unanimously approved the Death Benefits to be paid March 31, 1986.

In response to a request by the Chairman for a report on the non-payment by the Authority of the 3 percent
employer contributions on the $600 lump sum payments to employees, the Plan Attorney noted that this matter was scheduled to go before the arbitrator in April.

The Secretary informed the Committee that Ernest E. Guedel, Jr. revoked his Retirement Application and B-1/2 Survivorship Option, which were to have become effective March 1, 1986, and which were approved at the February 18, 1986 meeting.

The Chairman noted that the Report by the Subcommittee on the feasibility of investing the Fund's short-term money with other Chicago banks would be discussed at a special segment of the Meeting regarding the status of the hiring of an investment consultant to be held immediately following the regular Meeting.

The Secretary informed the Committee that Leon Harrison, Jr. had not remitted his refunded contributions within the 13-month period as provided in Rule No. 21 and made a motion that Mr. Harrison be granted a 30-day extended payment period, Mr. Flowers seconded the motion, and the Committee unanimously agreed.

The Chairman called for a recess at 11:35 A.M. and asked all Committee Members, Alternates, Pension Department staff, the Plan Attorney, and the Plan Consultant to remain for the next segment of the Meeting.

The Chairman called for the Meeting to reconvene at 12:15 P.M.

The Chairman then turned the Committee's atten-
tion to the item on the agenda regarding the investment of short term cash noting that a preliminary look at this suggests that the Plan would have to be amended to allow the staff with the possible assistance of the consultant to direct these investments. Additionally, standards in areas such as collateral requirements of the various banks would have to be developed. He further noted that after these issues were resolved a decision would be made by the Committee on whether or not we should move forward with the investment of cash in banks other than downtown banks.

The Chairman then turned the Committee's attention to the matter of the hiring of an Investment Consultant for the Fund and brought the Committee up-to-date on the results of the last meeting of the Investment Subcommittee noting that there had been a deadlock vote and, therefore, no recommendation could be made to the full Committee. The Chairman then presented the merits of both firms being considered; Lowry, Raclin, Harrell & Howerdd and Investment Management Control Systems, Inc. After a discussion and comments by various Committee Members a roll call vote was taken, as follows:

D. Perk
A. Kasmer
G. Nagle
J. Gallagher
C. Andersen
R. Jania
E. Flowers
E. Gresham
L. Morris
W. Black

Investment Management Control Systems
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Lowry, Raclin, Harrell & Howerdd
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The Chairman noted that as had been agreed to by the Committee in case of a deadlock vote the matter would be turned over to an arbitrator in order that a final decision could be made. The Chairman directed the Plan Attorney to inform the arbitrator that the Committee had a deadlock vote and further recommended that the arbitrator be informed that neither labor nor management wanted lawyers involved.

There being no further business, on a motion by Mr. Kasmer, seconded by Mr. Perk, the Committee unanimously agreed to adjourn at 1:50 P.M.
to a proposal known as Lincoln Property Company Development Partnership - Bannockburn, Illinois and explained to the Committee that the objective of the proposed transaction is to create a development partnership between Lincoln Property Company (the active development partner) and the Plan (the passive equity partner) to develop a three-story 174,000 square foot office building. This objective is achieved in two parts. The first part consists of first mortgage from the Plan to the existing landowners - L/P Partners (Aaron L. Lebedow and Ronald N. Paul). The second part consists of a three-year option to purchase the subject property given to Lincoln Property Company from L/P Partners. Lincoln will contribute the option to purchase the land and the Plan will commit to purchase the land (all or most of the required purchase price will come from the loan repayment), subject to the satisfaction of conditions acceptable to the Plan.

It will be the development partnership which holds the option to purchase the property any time in the next three years for $2,735,000. In order to receive the 36 month option the partnership must lend the existing owners of the property $2,250,000 at 11% interest for 36 months. For legal reasons, the Plan's counsel advised that the loan be originated from the Plan and that the option be given to Lincoln Property Company. The mortgage which the Plan shall create will be collateralized by a first lien on the subject property and the personal assets of the existing landowners. A discussion ensued during which the Plan Attorney noted that the property was presently zoned for