AGENDA

FOR THE 450TH RETIREMENT MEETING OF JUNE 16, 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 449th Meeting held May 19, 1986.


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.) Roy Shores - retroactive to 06-01-86.

9. Employees on Disability Retirement re-examined.

10. Presentation of Refunds of Contributions to be paid June 30, 1986.

11. Presentation of Bills and Remittances.

12. Death Benefits for approval.

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

   a.) Harris Bank short term investment proposal - report by Sub-Committee.
   b.) Victor E. Collins - D-2305 - request for retroactive disability for period 01-01-85 through 06-30-85.
   c.) Charles Gage - request for retroactive disability for period 08-01-85 through 10-10-85.
d.) Issue of whether the $600 lump sum payment and the vacation buy back will be considered pension earnings -- report by Plan Attorney.

15. New Business

a.) Robert Krejca - D-2316 - returned to duty 06-04-86.

b.) Real Estate Sub-Committee report on direct and indirect real estate proposals.

c.) Report by Plan Actuary on recommendation to revise the survivorship option factors.

d.) Appointment of Arthur Young as Plan Auditor for the 1986 Plan Year audit.

e.) Appointment of the Wyatt Company as Plan Actuary for the 1986 Plan Year valuation.


15. Adjournment.
The 450th Meeting of the Retirement Allowance Committee was held Monday, June 16, 1986, at 10:30 A.M., in the Steamboat Room, 14th Floor, Holiday Inn Mart Plaza. The following were in attendance:

Mr. C. Andersen  
Ms. W. Black  
Mr. E. Flowers  
Mr. E. Gresham  
Mr. A. Kasmer  
Mr. G. Nagle  
Mr. I. Thomas

The Secretary noted that Ms. A. Curtis and Mr. R. Jania were sitting in the stead of Mr. D. Perk and Mr. R. Andrzejewski. Neither Mr. J. Gallagher nor his alternate was present. Messrs. L. Morris, H. Reed, H. Williams, L. Brown, and H. Reddrick were present. Mr. J. Weatherspoon was also present. Mr. J. Mullen and Ms. C. Cox were present.

Mr. W. Ashley, the Plan Consultant, was also present. Mr. R. Burke, the Plan Attorney, was present. Messrs. G. Schedler and L. Knecht of the Harris Trust & Savings Bank were present. Mr. N. Joachimi, the Plan's new investment consultant, was present. Mr. J. Baratka of The Wyatt Company was present. Mr. B. Scholz, pensioner representative, was also present.

The Vice Chairman called the meeting to order.
at 10:43 A.M.

The Vice Chairman called for approval of the Minutes of the 449th Meeting held May 19, 1986. On a motion by Ms. Black, seconded by Mr. Nagle, the Committee unanimously approved the Minutes of the 449th Meeting held May 19, 1986.

At the Vice Chairman's request for the presentation of the Trustee Report, the Secretary noted that Item 14(a) on the agenda, the short term investment proposal by the Harris Bank, would be taken out of order and presented immediately following the Trustee Report. Mr. G. Schedler of the Harris Trust and Savings Bank then presented the Trustee Report on the activity in the market for the past 30 day period.

The Secretary then presented a recap of the June 19 Investment Sub-Committee meeting noting that the purpose of the meeting was to continue discussion of the Harris Bank's cash management proposal and develop procedures on investing in CD's and other forms of investments with local area banks and savings and loan institutions. The Secretary further noted that the Sub-Committee had agreed to recommend that the balance of the cash management investment proposal which was presented at the last Committee meeting be put into operation now while procedures for investment in local institution CD's are being developed. Additionally, the Sub-Committee asked that the Harris Bank propose to the Committee a graduated fee schedule due to the fact that there would be such a large amount of money involved. Mr. L. Knecht of the Harris presented and explained
the proposed fee schedule noting that the old fee structure was one-tenth of 1 percent of the assets in the program and the new schedule would be ten (10) basis points for the first $100 million, nine (9) basis points for the second $100 million, and eight (8) basis points on funds in excess of $200 million. A discussion ensued between Committee Members during which the Secretary made a motion for approval of the Harris Bank's proposed short term investment proposal and fee schedule, there being no second to the motion it was not carried. Mr. Thomas asked if investing in credit unions had been considered. The Plan Attorney responded that it was his understanding that credit unions do not have the necessary insurance to cover as large a sum of money as that which was being invested. Mr. Thomas stated that some of the CTA credit unions were equipped to handle an investment of this type and it was his opinion that it should be looked into as one of the possibilities. Further discussion ensued between Committee Members during which the Secretary suggested that that portion of the investment (approximately $175 million) other than the monies set aside for possible investment in local banks, savings and loan institutions or credit unions be moved on now and further research be done for the investing of the remaining funds in local institutions. After further discussion, Mr. Flowers made a motion that the Committee approve going ahead with the $175 million short term investments with the remainder to be set aside until the Committee could come to some decision on the matter, the Secretary seconded the motion, and the Committee
unanimously approved.

Mr. N. Joachimi, the Plan's new investment consultant, informed the Committee that his firm was in the process of separating from Jenney Montgomery Scott, Inc., the parent company. He indicated that the new firm would be named The Wellesley Group and noted that he had explained and discussed the matter in depth with the Plan Attorney the reasons for the separation. He further noted that the new firm will have the same employees and report generating capabilities will be enhanced.

Mr. Joachimi turned the Committee's attention to the Fund's present investment status and discussed some of the areas his firm would like to focus on over the next several months. Specifically, he indicated that the debt/equity ratio adjustment strategy should be fine tuned and outlined several factors in support of this.

In response to a question from Mr. Flowers, Mr. Joachimi indicated that his firm has done extensive research into the impact of South Africa related divestment on portfolio performance and would be happy to provide whatever information is desired.

The Secretary made the announcement of deaths reported since the last meeting, as per the attached list. The Secretary presented a total of seven (7) Survivorship Options for approval including an option for William A. Davis pending receipt of a medical statement from his attending physician and CTA medical approval, along with
proof of age for spouse; an option for Albert J. Karbach pending CTA medical approval and proof of age for spouse; an option for John D. Masterson pending receipt of marriage certificate and proof of age for spouse; an option for Willie J. Stinson pending receipt of medical statement from attending physician and CTA medical approval. On a motion by Mr. Flowers, seconded by Mr. Kasmer, the Committee unanimously approved the Survivroship Options as presented.

The Secretary informed the Committee that there were no Pre-Retirement Surviving Spouse Allowances to report.

The Secretary instructed the Committee to make the following adjustments in the new retirement applications being presented, as follows: under the disability retirements there are two deletions - George Haralson who will not be eligible for retirement until August 1 as he would still be receiving 26-week insurance benefits during the month of July; and, Joseph J. Kasper who has been absent from duty since July 9, 1985 but did not qualify for 26-weeks of insurance benefits nor for disability retirement benefits under Section 12 of the Plan. The Secretary further noted that Mr. Kasper's application for retirement should not have been submitted by his department and will be returned by the Secretary's Office. The Secretary further noted that the application for Artis Martin, Jr. and John D. Jackson should be approved pending receipt of a CTA medical opinion; and, that Ray Shores' retirement date be made retroactive to June 1, 1986 as a memorandum was received from Personnel Administration stating that his application was
incorrectly processed and should have been processed for June not July. The Secretary then presented an additional July 1, 1986 disability retirement application for Berl Singer. On a motion by Ms. Curtis, seconded by Mr. Thomas, the Committee unanimously presented the twenty (20) new retirement applications as presented.

The Secretary reported that ten (10) employees who are presently receiving Disability Retirement Benefits were examined or had their file reviewed.

The Secretary presented eleven (11) Refunds of Contributions for approval, totaling $119,993.43. The comparison figures for the same period of time one year ago were fifteen (15) Refunds, totaling $130,704.02. On a motion by Mr. Flowers, seconded by Ms. Black, the Committee unanimously approved the Refunds of Contributions to be paid June 30, 1986.

The Secretary presented one (1) Chicago Transit Authority bill, totaling $28,975.28; twenty-one (21) Operating bills, totaling $84,736.61; ten (10) Remittances, totaling $443,732.21; and the FIT Deposit, totaling $133,136.03.

Mr. Flowers made the motion for approval, and Mr. Kasmer seconded the motion. On the question, Mr. Andersen asked what type of insurance did the figures in the report represent. The Secretary responded that it was for the liability insurance on the Pension Department Office. The Committee unanimously approved payment of the Bills and Remittances as presented, totaling $690,580.13.

The Secretary presented for approval twenty-five (25) Death Benefits, totaling $81,500.00. The comparison
figures for the same period of time one year ago were twenty-four (24) Death Benefits, totaling $89,000.00. On a motion by Mr. Flowers, seconded by Ms. Black and Mr. Kasmer, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary turned the Committee's attention to the report of Deposits, Disbursements and Investments in the Trustee Summary noting that as of May 30, 1986 the total portfolio had a market value of $747,630,066.20 at a cost of $624,311,374.57. The Secretary further noted that the rate of return for the month of May was 2.02% and the year to date rate was 11.5%.

At the Secretary's request, Mr. J. Mullen presented a report on the Certificate of Indebtedness noting that the May payment in the amount of $705,829.38 had been received which leaves a current balance of $13,110,000.

Mr. Mullen then turned the Committee's attention to and explained several charts on the performance of the Fund's equity managers and the composition of the Fund's portfolio which were a part of the meeting material.

The Secretary brought to the Committee's attention the matter of Victor E. Collins' request for a change in his retirement date, which was deferred at the last meeting pending receipt of additional information. The Secretary informed the Committee that a letter had been sent to Mr. Collins' former department head requesting all pertinent information in order that the Committee could review the documents and make a deci-
A discussion ensued between Mr. Ashley and Committee Members during which Mr. Kasmer made a motion to defer the matter until the next meeting, the Secretary seconded the motion, and the Committee unanimously agreed.

At the request of the Vice Chairman for an update on Charles Gage's request for retroactive disability retirement for the period August 1, 1985 through October 10, 1985, which had been deferred at the last meeting, Mr. Ashley noted that medical reports had been obtained and upon review showed that Mr. Gage did qualify for disability benefits for the period in question, therefore, it was his recommendation that Mr. Gage's request for retroactive disability benefits for the period in question be approved. Mr. Flowers made a motion that Mr. Gage's request for retroactive disability benefits for August 1, 1985 through October 10, 1985 be approved, Mr. Kasmer seconded the motion, and the Committee unanimously approved.

At the request of the Vice Chairman for an update on whether the $600 lump sum payment and the vacation buy back will be considered for pension earnings, the Plan Attorney noted that it was his opinion that the lump sum payment and vacation buy back are compensation and should be treated as such, and further noted that he had sent a letter to Mr. Cardilli asking that employer contributions on these monies be made by the Authority and would report back to the Committee when a response was received.

The Secretary informed the Committee that Robert Krejca, who was on disability retirement, returned to
duty.

The Secretary then informed the Committee that the Real Estate Sub-Committee met on Friday, June 13 and presented to the Committee a review of the proposal and recommendation made by Mr. Steve Grant for an investment in several warehouse properties; three leased buildings in Waukegan and one leased building in Libertyville. The Secretary further noted that the Sub-Committee had voted to recommend approval of this investment to the full Committee. A discussion ensued between Committee Members during which Mr. Andersen asked if it were not a fact that some of the buildings were in need of repairs and from where the monies would come. Mr. Weatherspoon turned the Committee's attention to the proposal which noted that monies had been set aside for repairing and maintenance of the properties. Mr. Nagle made a motion that the Sub-Committee's recommendation for approval be accepted and the investment be moved on, Mr. Flowers seconded the motion, and the Committee approved the motion. All Committee Members voted for approval with the exception of Mr. Andersen who voted against.

The Vice Chairman then asked that the record show that Mr. Thomas had to retire from the meeting and Mr. Morris would sit in his stead for the remainder of the meeting.

The Secretary then turned the Committee's attention to a report regarding a recommendation to revise the Survivorship Option factors and asked Mr. J. Baratka to expound. Mr. Baratka noted that the values had not been looked at in
sometime and needed to be changed. Mr. Baratka further noted that the new tables would provide a higher benefit for the employee. A discussion ensued between Mr. Baratka, the Plan Attorney, and Committee Members during which the Secretary made motion that based on Mr. Baratka's recommendation and the Plan Attorney's agreement the Committee accept the proposed change in option factors for new retirees beginning July 1, 1986, Mr. Kasmer seconded the motion, and the Committee unanimously agreed.

The Vice Chairman noted that the next item on the agenda was the appointment of the Plan Auditor for the 1986 Plan Year. Mr. Nagle made a motion that Arthur Young & Company be reappointed as Plan Auditor, Ms. Black seconded the motion. On the question, Mr. Flowers asked how long Arthur Young's term would last. The Secretary noted that there had never been a formal contract the Plan Auditor was appointed annually. The Committee unanimously approved the reappointment of Arthur Young & Company as the Plan Auditor.

The Vice Chairman then noted that it was also necessary to appoint a Plan Actuary for the 1986 Plan Year. Mr. Nagle made a motion that The Wyatt Company be reappointed as Plan Actuary for the 1986 Plan Year, Mr. Kasmer seconded the motion. On the question, Mr. Flowers asked how long The Wyatt Company had been acting as the Plan Actuary. The Secretary noted that they had served in that capacity since 1949. The Committee unanimously approved the reappointment of The Wyatt Company as the Plan Actuary for the 1986 Plan Year.
The Secretary informed the Committee that it was necessary to reschedule next month's meeting from July 21 to July 16. After a brief discussion, on a motion by Mr. Nagle, seconded by Ms. Black, the Committee unanimously approved the rescheduling of the July Retirement Allowance Committee Meeting from July 21 to July 16.

There being no further business, on a motion by Mr. Kasmer, seconded by Ms. Curtis, the Committee unanimously agreed to adjourn at 12:35 P.M.