AGENDA
FOR THE 454TH RETIREMENT MEETING OF OCTOBER 20, 1986

1. Meeting will be called to order at 9:30 A.M., Steamboat Room, 14th floor, Holiday Inn Mart Plaza.

2. Approval of the Minutes of the 453rd Meeting held September 15, 1986.

3. Report by Trustee including a report on cash management account.


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.) Dennis Dunaj - disability retirement retroactive to 10-01-86.

9. Employees on Disability Retirement re-examined.

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

11. Presentation of Bills and Remittances.

12. Death Benefits for approval.

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

   a.) Micheli Ferrantelli -- request for disability benefits.
   b.) J. Melton - discharged employee who was subsequently reinstated 08-26-85. Thirteen month period ends 09-26-86. Recommendation for 30 day extension to 10-26-86. Wanda Black will investigate his employment status.
   c.) Update report on development of program to invest in CD's of local financial institutions.
d.) Discussion on South Africa divestment -- review of reports from the Wellesley Group.

15. New Business.

a.) Clementine Brown - D-2346 - returned to duty 09-24-86.

b.) Artis Martin, Jr. - D-2358 - returned to duty 09-08-86.


d.) Willie M. Shelton - has repaid his contribution refund of $19,274.63 thereby restoring his original pension seniority date of 12-09-57 (ticket agent).

e.) Report by Secretary on 333 W. Lake building proposal and 711 E. Jorie proposal.

f.) Report on professional staff changes at Putnam Management Co.

g.) Request for approval of furniture acquisition for Pension Office.

h.) Amend Section 2 of the Bylaws to change regular monthly meeting time to 9:30 A.M.

The 454th Meeting of the Retirement Allowance Committee was held Monday, October 20, 1986, at 9:30 A.M., in the Steamboat Room, 14th Floor, Holiday Inn Mart Plaza. The following were in attendance:

Mr. C. Andersen
Mr. E. Flowers
Mr. E. Gresham
Mr. A. Kasmer

Mr. G. Nagle
Mr. D. Perk
Mr. I. Thomas

Mr. R. O'Connor sat in Mr. W. Clark's stead. Mr. L. Morris, alternate for Ms. W. Black, was present. Messrs. L. Brown, H. Williams, and H. Hegarty were also present. Messrs. J. Mullen, R. Pirovano, Ms. P. Williams and Ms. C. Cox were present. Mr. R. Burke, the Plan Attorney, was also present. Mr. J. Baratka, The Wyatt Company, was present. Messrs. R. Walker and F. Duda of the Harris Trust and Savings Bank were present. Messrs. N. Joachimi and J. Prime of The Wellesley Group were present. Mr. B. Scholz, pensioner representative, was also present.

The Chairman called the meeting to order at 9:47 A.M.

The Chairman called for approval of the Minutes of the 453rd Meeting held September 15, 1986. On a motion by Mr. Brown, seconded by Mr. Andersen, the Committee unan-
imously approved the Minutes of the 453rd Meeting.

On the call for the report by the Trustee, the Secretary requested that he be allowed to review the history of the Fixed Income Account in order to give the Committee some perspective prior to Mr. Duda's report on the cash management account. The Secretary referred the Committee to two charts explaining that the decision to liquidate the Plan's fixed income allocation stemmed from the Committee's decision to amend the investment policy to allocate 20% of Plan assets to real estate. He noted that Harris Bank was instructed to liquidate the fixed income securities as market conditions dictated and that this has now been accomplished. The remaining shorter term fixed income securities will be transferred into the cash management account and the fixed income account will be closed.

Mr. Duda of the Harris Trust & Savings Bank distributed and explained to the Committee the Trustee Report noting the activity in the market within the last 30 days and year to date.

Mr. Duda then distributed a report on the Cash Management Account and reviewed with the Committee the investment guidelines and performance results for this account.

Mr. Joachimi of The Wellesley Group turned the Committee's attention to an outline entitled Investment Policy Considerations (a copy is attached to these Minutes) explaining that this agenda was developed with the input of the staff and Isiah Thomas and represented a logical method of proceeding with the investment changes.
At the Secretary's request, Mr. Joachimi then informed the Committee that the initial Quarterly Report would be ready no later than the next Retirement Allowance Committee Meeting.

The Secretary made the announcement of deaths reported since the last meeting, as per the attached list.

The Secretary presented six (6) Survivorship Options for approval. On a motion by Mr. Andersen, seconded by Mr. Morris, the Committee unanimously approved the Survivorship Options.

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

The Secretary informed the Committee that there were ten (10) Retirement Applications being presented for approval, including a request that the disability retirement for Dennis Dunaj be made retroactive to October 1, 1986; and the disability retirement for Larry Childress be approved subject to a medical evaluation. On a motion by Mr. O'Connor, seconded by Mr. Flowers, the Committee unanimously approved the 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 nineteen (19) Refunds of Contributions, totaling $122,780.81. The comparison figures for the same period of time one year ago were nineteen (19) Refunds, totaling $111,734.67. On a motion by Mr. Gresham, seconded by
Mr. Flowers, the Committee unanimously approved.

The Secretary presented one (1) Chicago Transit Authority bill, totaling $35,880.61; twenty-one (21) Operating Bills, totaling $102,726.33; ten (10) Remittances, totaling $440,134.40; and the FIT Deposit, totaling $135,814.42. On a motion by Mr. Kasmer, seconded by Messrs. Flowers and O'Connor, the Committee unanimously approved payment of the Bills and Remittances, totaling $714,555.76.

The Secretary presented for approval thirty-three (33) Death Benefits, totaling $95,000.00. The comparison figures for the same period of time one year ago were thirty-six (36) Death Benefits, totaling $79,250.00. On a motion by Mr. Andersen, seconded by Mr. Gresham, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary turned the Committee's attention to the report on the Deposits, Disbursements and Investments in the Trustee Summary noting that as of September 31, 1986 the total portfolio had a market value of $721,821,000.00. He further noted that the current period showed a negative return of -3.8% and the year to date return was 8.81%.

In response to the Secretary's request, Mr. J. Mullen presented a report on the Certificate of Indebtedness noting that a payment in the amount of $705,829.38 had been received from the Authority leaving a balance of $10,587,440.73.

The Secretary turned the Committee's attention to a request from Micheli Ferrantelli for disability benefits and asked Mr. R. Pirovano of the Pension Office to expound on the
matter. Mr. Pirovano informed Committee that Mr. Ferrantelli has
applied for disability retirement to be effective as of
September 1, 1986. Mr. Pirovano noted that according to corre-
spondence received from the Workers' Compensation Department
Mr. Ferrantelli had been examined by several doctors, including
CTA Medical Department staff and no objective finding of dis-
ability had been discovered. Due to his complaints of pain,
however, there is a question whether Mr. Ferrantelli is
physically fit for some type of gainful employment. A discussion
ensued between Committee Members, Mr. Pirovano, and the Plan
Attorney during which Mr. Gresham suggested that Mr. Ferrantelli
be sent to a third doctor for another opinion. Mr. Gresham
further noted that the doctor used by the union and CTA labor
department was at the University of Illinois Medical Center. Mr.
Gresham asked the Plan Attorney if this could be done. The Plan
Attorney stated that this could be done and would be appropriate.
In response to the Chairman's request, Mr. Flowers made a motion
that Mr. Ferrantelli be sent to the doctor at the University of
Illinois Medical Center for a third doctor's opinion,
Mr. Morris seconded the motion. On the question, Mr. Flowers
asked what the recourse would be if the third doctor's opinion
was in conflict with that of the company doctor. The Plan
Attorney stated that the Committee would look at and compare all
of the opinions and make the final decision. The Committee
unanimously approved the motion.

The Secretary asked that the matter regarding
J. Melton which was discussed at the last meeting and deferred
in order that Ms. Black could obtain further information as to the date of Mr. Melton's return to work be deferred again as Ms. Black was not in attendance. The Committee agreed that the matter be deferred to the next meeting.

In response to the Chairman's request for an update on development of program to invest in CD's at local financial institutions, the Secretary brought the Committee up to date on status of program and noted that a decision as to the range of dollar amounts to be invested in each institution as well as total investment amount needed to be made and suggested that the minimum be set at $500,000 with a maximum of $1.5 million and the cap on the total program be $25 million. The Secretary then asked Mr. F. Duda of the Harris Trust and Savings Bank to present his report. Mr. Duda noted that the Harris Bank has access to a reporting service which evaluates banks on a credit risk basis and ranks them according to their relative strength as defined by several financial criteria. Mr. Duda noted that it is the bank's general feeling that in analyzing the banks that fall below the top quartile you are running into ratios that are starting to cause problems from a credit analysis standpoint. The Chairman asked if he was saying that he would not recommend that we invest with any institution that is not in the top quartile. Mr. Duda responded that on a realistic basis the top quartile is the safest. He further noted that looking into the top half you are running into some financial questions and would have to be very selective. However, we can look at the list of banks in the top half but I want the
Committee to know that from a purely investment standpoint the top quartile is the safest place to be. The Chairman asked for a report which identifies all the banks and their ranking as well as the financial criteria used to determine the ranking. Mr. Nagle then made a motion that the range of investments in CD's per institution be a minimum of $500,000 and a maximum of $1.5 million with a total cap of $25 million. Messrs. Flowers and O'Connor seconded the motion, and the Committee unanimously approved.

Mr. N. Joachimi of The Wellesley Group turned the Committee's attention to a report on the percentage of investments of companies doing business in South Africa by each manager in the Plan's portfolio which Mr. J. Prime explained. After a discussion between Messrs. Joachimi, Prime and Committee Members, the Chairman recommended that a Subcommittee be formed consisting of Messrs. Flowers, Gresham, Nagle and Andersen to work with The Wellesley Group on the South Africa divestment issue. Mr. Gresham asked that Mr. Thomas be placed on the subcommittee in his stead. Mr. Thomas accepted and was placed on the subcommittee in Mr. Gresham's stead.

The Secretary informed the Committee that Clementine Brown and Artis Martin, who were on disability retirement, had returned to duty.

The Secretary informed the Committee that Douglas Moseley, a disability retiree, had been found fit to return to work, declined a position as a ticket agent and thereby removed from the pension rolls. However, he was subsequently
rescheduled for a ticket agent test, failed the test, and was then reinstated to the disability retirement rolls. Mr. O'Connor suggested that the Secretary arrange for Mr. Moseley to be retested for ticket agent. The Secretary indicated that he would contact the CTA Personnel Department and ask them to do so.

The Secretary informed the Committee that Willie M. Shelton, who had received a refund of contributions, repaid the monies thereby restoring his original pension seniority date of December 9, 1957.

The Chairman called for a brief recess for lunch at 11:55 A.M. The Chairman reconvened the meeting at 12:15 P.M.

The Chairman asked that item 15(f) on the agenda, Report on Professional Staff Changes at Putnam Management Company, be discussed at this time. The Secretary noted that he had received correspondence from Putnam indicating that several key professionals in the International Investment Division had left Putnam to form a new investment company. He further noted that as the Plan uses Putnam only for domestic investments, there should not be any impact on the Plan's account. Mr. Joachimi noted that his firm would keep a close watch to see what effect, if any, these changes might have in the other investment areas at Putnam.

The Secretary informed the Committee that the vote on the investment proposals at 711 E. Jorie and 333 W. Lake had been conducted via telephone poll and resulted in approval
of both proposals. He noted that all Members had not voted
and asked that they do so. The following is the result of the
vote:

<table>
<thead>
<tr>
<th>Name</th>
<th>333 W. Lake</th>
<th>711 E. Jorie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel R. Perk</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Gregory C. Nagle</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Charles A. Andersen</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Walter H. Clark</td>
<td>Not available</td>
<td>Not available</td>
</tr>
<tr>
<td>Elcosie Gresham</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Elwood Flowers</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Isiah Thomas</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Wanda Black</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Alfred Kasmer, Jr.</td>
<td>Abstain</td>
<td>Yes</td>
</tr>
<tr>
<td>Harry Reddrick</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>John M. Weatherspoon</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

* Proposal to purchase the remaining 20% ownership interest only

The Secretary brought to the Committee's attention a request for approval of the purchase of new furniture for the Pension Office. On a motion by Mr. Thomas, seconded by Messrs. Gresham and Andersen, the Committee unanimously approved the purchase of new furniture for the Pension Office.

The Secretary then recommended that the By-Laws be amended to change the time of the monthly Retirement Allowance Committee Meeting to 9:30 A.M. On a motion by Mr. Kasmer, seconded by Mr. Nagle, the Committee unanimously approved the amendment of the By-Laws to change the meeting time to 9:30 A.M.
The Secretary then asked for approval for Messrs. Perk, Kasmer, and Thomas to attend the Annual Employee Benefits Plan Conference in Las Vegas in November; and for Messrs. J. Mullen and W. Ross of the Pension Office staff to meet with Compensation and Capital representatives in Philadelphia. On a motion by Mr. Thomas, seconded by Mr. O'Connor, the Committee unanimously approved.

The Secretary informed the Committee that he had contacted two firms which specialize in pre-retirement programs; also known as "ready or not" programs which help a person prepare for retirement. These programs cover such topics as feelings about retirement, finances, legal affairs, health, earning money and leisure. After a brief discussion, Mr. Flowers made a motion to invite these firms to make presentations to the Committee on Pre-Retirement Programs, Mr. Kasmer seconded the motion, and the Committee unanimously approved.

Mr. Andersen asked how the pending legislation regarding the abolition of the mandatory retirement age would effect the Plan. The Plan Attorney noted that he had not received all of the information on the legislation and after he had done so and had an opportunity to review it he would report back to the Committee.

Mr. Gresham then informed the Committee that he had received correspondence from the daughter of a deceased retired pensioner, Theodore F. Swider, who is questioning the fact that her father did not take a Survivorship Option thereby leaving no monthly benefit for his spouse who is now totally
disabled. The daughter is seeking some type of retribution on behalf of her mother. Mr. Gresham then asked the Plan Attorney to review the matter and correspond with the parties in question.

There being no further business, on a motion by Mr. Flowers, seconded by Mr. Andersen, the Committee unanimously agreed to adjourn at 12:50 P.M.

[Signatures]

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED NOVEMBER 24, 1986