AGENDA
FOR THE 457TH RETIREMENT MEETING OF JANUARY 26, 1987

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

2. Approval of the Minutes of the 456th Meeting held December 22, 1986.


4. Report by Ned Joachimi and John Prime of the Wellesley Group on:
   a.) overall investment policy;
   b.) asset allocation;
   c.) relative equity subsector weightings; and
   d.) manager considerations.

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 Sears - retroactive to 04-01-86.

9. Employees on Disability Retirement re-examined.


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.) Proposed resolution to amend the investment policy to exclude investments in companies not adhering to the Sullivan Principles.

c.) Report by Plan Attorney on the resolution of the matter involving management fee charges on the Plan's investment in PRITA.

d.) Proposal by Compensation and Capital, Inc. to increase their fees.

15. New Business.

a.) John D. Jackson - D-2356 - returned to duty 11-11-86.

b.) David Davney, Jr. - D-2373 - returned to duty 12-10-86.


d.) Report by Plan Attorney on how recently enacted legislation will impact the Plan in regard to mandatory retirement and benefit accruals.

e.) Proposed amendment to Rule 22 clarifying the issue of first year employee service with the Authority.

f.) Proposed amendment to the Group Trust Agreement for RREEF USA-III allowing the redemption of units by utilizing the proceeds of the issuance of replacement units.

g.) Election for the offices of Chairman and Vice Chairman for a term of 2 years.

h.) Requests for approval to attend seminars.

i.) Rescheduling of the February 16, 1987 Retirement Allowance Committee meeting as a result of Washington's birthday.

The 457th Meeting of the Retirement Allowance Committee was held Monday, January 26, 1987, at 9:30 A.M., in the Steamboat Room, 14th Floor, Holiday Inn Mart Plaza. The following were in attendance:

Mr. C. Andersen
Ms. W. Black
Mr. W. Clark
Mr. E. Flowers
Mr. A. Kasmer
Mr. G. Nagle
Mr. D. Perk

Mr. H. Williams sat in Mr. E. Gresham's stead. Mr. L. Morris sat in Mr. I. Thomas' stead. Mr. L. Brown sat in for Mr. Kasmer until his arrival. Mr. R. O'Connor was also present.

Mr. J. Mullen, Ms. P. Williams, and Ms. C. Cox were present.

Mr. W. Ashley, Plan Consultant, was present. Mr. R. Burke, Plan Attorney, was present. Ms. S. Luthy, Harris Trust & Savings Bank, was present. Messrs. N. Joachimi and J. Prime of the Wellesley Group were also present.

The Chairman called the Meeting to order at 9:45 A.M.

The Chairman called for approval of the Minutes of the 456th Meeting held December 22, 1986. On a motion by Mr. Brown, seconded by Mr. Flowers, the Committee unanimously approved the Minutes of the 456th Meeting.

Ms. S. Luthy of the Harris Trust & Savings Bank presented the Trustee Report which showed the activity in
the market for the last 30 days.

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

The Secretary presented six (6) Survivorship Options for approval; including an option for Ike Houston pending receipt of proof of age of spouse, marriage certificate, physician's statement and a favorable medical opinion from the CTA Medical Department. On a motion by Mr. Andersen, seconded by Mr. Flowers, the Committee unanimously approved the Survivorship Options as presented.

The Secretary informed the Committee that there was one (1) Pre-Retirement Surviving Spouse Allowance to report which became effective December 1, 1986.

The Secretary informed the Committee that there were twenty-three (23) Retirement Applications being presented for approval; including a request for an April 1, 1986 retroactive retirement for William Sears and a request for a January 1, 1987 retroactive disability retirement pending a favorable medical opinion from the CTA Medical Department for Carl McCormack. The Secretary informed the Committee that there was a settlement agreement, dated December 3, 1986, between the Authority and Local No. 241 allowing discharged employee William Sears to retire effective March 26, 1986. He further noted that there was a settlement agreement between the Authority and Local No. 308, dated December 8, 1986, which provided that discharged employee Carl McCormack would be allowed a disability retirement effective January 1, 1987. A discussion ensued
between Committee Members and the Plan Attorney during which the Plan Attorney pointed out that these settlement agreements are not binding on the Committee and that the same criteria used for any individual applying for retirement should be applied in these cases. The Secretary further noted that a request for a February 1, 1987 disability retirement for William D. Cooper, pending receipt of a favorable opinion from the CTA Medical Department; and a request for a February 1, 1987 disability retirement for Anthony F. Blazevich, pending receipt of a favorable opinion from the CTA Medical Department were also being presented for approval. On a motion by Mr. Flowers, seconded by Mr. Clark, the Committee unanimously approved the Retirement Applications as presented.

Mr. Ned Joachimi of the Wellesley Group introduced to the Committee an asset allocation model which was developed by The Boston Company asking that the Committee approve that an in-depth analysis be done by the Wellesley Group in conjunction with the staff for presentation to the Committee at a later date. After discussion, Mr. Clark made a motion that Mr. Joachimi be allowed to proceed with the research and bring the results back to the Committee, Mr. Kasmer seconded the motion, and the Committee unanimously approved.

Mr. Joachimi reviewed with the Committee his firm's manager selection process. A discussion ensued during which the Chairman directed the staff to work with the Wellesley Group on the manager selection process, asking that the Committee be informed once the field has been narrowed to the best pros-
pects in each style.

Mr. Clark then made a motion that international investments be analyzed for possible inclusion in the investment policy, Mr. Kasmer seconded the motion and the Committee unanimously approved.

The Secretary asked that Item 14(b) on the Agenda - the Proposed Resolution to Amend the Investment Policy to Exclude Investments in Companies not Adhering to the Sullivan Principles (a copy is attached to these Minutes) be addressed at this time and turned the Committee's attention to a draft of the resolution. After perusal and a brief discussion between Committee Members, the Secretary made a motion to accept the resolution to amend the investment policy as presented, Mr. Andersen seconded the motion, and the Committee unanimously approved.

The Secretary informed the Committee that nine (9) employees who were presently receiving Disability Retirement benefits were examined or had their file reviewed.

The Secretary presented eight (8) Refunds of Contributions, totaling $70,364.81, for approval. On a motion by Mr. Kasmer, seconded by Mr. Flowers, the Committee unanimously approved the Refunds of Contributions to be paid on January 31, 1987.

The Secretary presented for approval one (1) Chicago Transit Authority bill, totaling $39,590.60; twenty-three (23) Operating Bills, totaling $153,846.63; eleven (11) Remittances, totaling $434,356.39; and the FIT Deposit, totaling $135,831.06. On a motion by Mr. Flowers, seconded by Ms. Black,
the Committee unanimously approved the Bills and Remittances, totaling $773,624.68, to be paid January 31, 1987.

The Secretary presented for approval nineteen (19) Death Benefits, totaling $57,500.00. On a motion by Mr. Andersen, seconded by 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 on Deposits, Disbursements and Investments noting that the total Fund return for December, 1986 was -.73% and the year to date return was 12.37%. The Secretary further noted that the total portfolio had a market value of $741,369,758.00.

Mr. Mullen presented a report on the Certificate of Indebtedness noting that a payment in the amount of $1,411,000 for the months of November and December had been received which leaves a balance on the note of $8,469,952.59. Mr. Mullen also noted that an interest payment of $275,000.00 had been received on January 4, 1987.

Mr. Mullen also presented various reports on the overall performance of the Fund and investment manager performance.

The Secretary then turned the Committee's attention to Micheli Ferrantelli's request for disability benefits noting that at the direction of the Committee at the October, 1986 meeting Mr. Ferrantelli was examined by Dr. Cotsonas at the University of Illinois Medical Center and at Dr. Cotsonas' direction a neurological examination was performed by Dr. Gruener and an orthopedic examination performed by
Dr. Spencer. The Secretary further noted that Dr. Cotsonas' recommendations were as follows:

1. that he return to work in a sedentary activity under appropriate supervision;

2. that he enter into a therapeutic relationship with a physician or physical therapist of his own choosing who is experienced in the management of symptomatic backs; and

3. that his condition be re-evaluated comprehensively at least yearly.

After discussion between the Plan Attorney and Committee Members, Mr. Morris made a motion that Mr. Ferrantelli be placed on disability retirement retroactive to September 1, 1986 until he can be placed in a light duty position, Mr. Flowers seconded the motion, and the Committee unanimously agreed.

In response to the Chairman's request, the Plan Attorney presented a report on the resolution of the matter involving management fee changes on the Plan's investment in PRITA noting that PRITA has agreed to accept the six (6) basis points fee which would amount to approximately $12,000 annually and which would be retroactive to February 1, 1985 with no interest. Mr. Clark made a motion that the Committee approve the agreement, Mr. Flowers seconded the motion, and the Committee unanimously approved.

The Secretary requested that the matter of the proposal for a fee increase by Compensation & Capital, Inc. be deferred until the next meeting as Mr. Cerasoli was unable to attend this meeting due to inclimate weather.
The Secretary informed the Committee that John Jackson and David Davney, who were on disability retirement, had returned to duty.

The Secretary then turned the Committee's attention to the matter of William Eberhart noting that it was placed on the agenda in anticipation of the Authority contesting Mr. Eberhart's retirement as a result of his being discharged due to a criminal offense. The Secretary further noted that he had not received any documentation from the Authority indicating that they were contesting Mr. Eberhart's retirement. In response to a request by the Chairman for his comments on the matter, Mr. O'Connor stated that the General Attorney has taken exception to the manner in which this employee's retirement application was approved. The Secretary noted that his office had not received any notification from the Authority regarding Mr. Eberhart, therefore, his application was processed through the normal channels.

In response to the Chairman's request, the Plan Attorney presented a report on the recently enacted legislation regarding mandatory retirement and benefit accruals and how it will impact the Plan. The Plan Attorney noted that the mandatory retirement age was no longer in effect under federal law and individuals working beyond age 65 are to be treated the same as any other employee with regard to accruals for pension and contributions thereon. The Plan Attorney further noted that he was presenting this to the Committee for informational purposes only and that the foregoing would have to be implemented into the
Plan provisions via the collective bargaining process.

The Plan Attorney then presented a proposed Amendment to Rule No. 22 for the purpose of clarifying the issue of an employee's first year of service with the Authority. The Plan Attorney explained that due to an oversight in incorporating the provisions which were implemented into the Plan in 1980 whereby a new employee is required to work a twelve (12) month period before participating in the Retirement Plan, Rule No. 22 is being amended so that it is consistent with the Plan changes. Therefore, the purpose of this amendment is to correctly reflect the one-year participation provision. In response to a question by Mr. Flowers regarding the present 10 year "vesting" provision, the Plan Attorney stated that an employee would actually have to work 11 years in order to be eligible to vest and if a 5 year vesting provision was adopted he/she would have to work 6 years. After further discussion, a motion for approval of the Amendment to Rule No. 22 was made by Mr. Flowers, seconded by Ms. Black, and unanimously approved by the Committee. (A copy of the Amendment to Rule No. 22 is attached to these Minutes).

The Secretary turned the Committee's attention to the matter of the proposed amendment to the Group Trust Agreement for RREEF USA-III which would allow the redemption of units by utilizing the proceeds of the issuance of replacement units. The Secretary noted that what RREEF USA-III is effectively hoping to accomplish with the amendment is to be able to keep the same level of dollars in this fund by allowing for the purchase of a current unitholder's interest by another party thereby
avoiding the need for the fund to sell property. A discussion ensued between the Plan Attorney and Committee Members during which Mr. Clark made a motion that this matter be deferred until further clarification could be obtained as to whether or not there are any restrictions regarding the liquidation of the Plan’s holdings, Mr. Flowers seconded the motion, and the Committee unanimously approved.

The Chairman called for nominations for the offices of Chairman and Vice Chairman for the Plan Years 1987 and 1988. Mr. Flowers nominated Mr. E. Gresham as Chairman, Mr. Williams seconded the nomination. There being no further nominations, the Committee unanimously appointed Mr. E. Gresham as Chairman. Mr. Andersen nominated Mr. D. Perk as Vice Chairman, Mr. Flowers seconded the nomination. There being no further nominations, the Committee unanimously appointed Mr. D. Perk as Vice Chairman.

The Secretary informed the Committee that he had several requests from Committee Members and staff to attend seminars including a request from Messrs. C. Andersen and J. Mullen to attend the Harris Bank seminar in Florida; and a request for Ms. Black and himself to attend the National Conference on Public Employee Retirement Systems in Hawaii. A discussion ensued between Committee Members during which the Chairman noted that it was his opinion that the Plan should join the National Conference on Public Employee Retirement Systems at an annual fee of $150 as an affiliated member. Mr. Kasmer made a motion that the Plan join the National Conference on Public
Employee Retirement Systems, Mr. Flowers seconded the motion, and the Committee unanimously approved.

Mr. Kasmer then made a motion for approval of the attendance of Messrs. C. Andersen and J. Mullen at the Harris Bank seminar in Florida; and the attendance of Ms. W. Black and Mr. G. Nagle at the National Conference of Public Employee Retirement Systems in Hawaii. Mr. Flowers seconded the motion, and the Committee unanimously approved.

Mr. Morris asked that the Committee reconsider the policy whereby Committee Alternates are not allowed to attend seminars. A discussion ensued between Committee Members and the Plan Attorney during which Mr. O'Connor made a motion that Committee Alternates be allowed to attend seminars, Ms. Black seconded the motion, and the Committee unanimously approved.

The Secretary turned the Committee's attention to the matter of the February 16, 1987 meeting noting that this was the day on which Presidents' Day was being observed and asked if the Committee desired to reschedule the meeting to another day. After discussion, it was decided that the meeting be held on February 16, 1987 as scheduled.

The Secretary then informed the Committee that he had received a written request from Freddie Alford asking that he be granted an extension to repay his refunded contributions or a repayment plan of $200 per month. The Secretary further noted that Mr. Alford's contribution repayment was on the agenda last month as his 13-month period for repayment expired on
December 15, 1986. The Secretary also noted that Mr. Alford had a change of address on April 1, 1986 and as a result claimed that he had received only received the first contribution repayment notice and not the ensuing two notices. After discussion between Committee Members, Mr. Kasmer made a motion that Mr. Alford be given a 30-day extension to repay his refunded contributions, Mr. Williams seconded the motion, and the Committee unanimously approved.

The Secretary distributed to the Committee a letter he received from Piedmont Realty Advisors proposing that the Chicago based firm of Terrence O'Brien which performed the appraisals in 1985 be retained as the Real Estate appraiser for the Woodfield Business Center and 711 Jorie properties at one-half of the fee schedule which was in place for last year's appraisal and which further proposed that the firm of Blake & Associates be retained at a fee of $15,000 to perform the year end participating mortgage appraisals for the 20 N. Michigan Avenue and Country Lakes properties. A discussion ensued during which Mr. Clark inquired whether there was a firm located in the Chicagoland area that is capable of performing the participating mortgage property appraisals. The Secretary responded that this step had been taken last year. Mr. Clark suggested that Piedmont be asked to look for a firm in Chicago to perform these appraisals. The Secretary noted that since time was of the essence he was requesting that if Piedmont found a firm in Chicago he conduct a telephone poll of the Committee to obtain approval. After further discussion, Mr. Clark made a motion that Piedmont
be asked to look within the Chicagoland area to find a firm to perform the appraisals and that the Secretary then conduct a telephone poll of the Committee for approval, Mr. Kasmer seconded the motion, and the Committee unanimously approved.

The Chairman stated that he would like to have placed on the agenda for the next meeting a matter regarding the Pension Department. He stated that it was his opinion that the Secretary be given an opportunity to vent motions on the structuring of the Pension Department on the premise that all costs of this department, including staffing, are paid for by the Fund. There is a grey area in terms of how this department and personnel is structured and he and the Manager of the Pension Department have been looking at it on a one-to-one basis and he would hope that Mr. Nagle be given an opportunity at the next meeting or a subsequent meeting to lay out his proposals as to how he thinks the department best functions. Mr. Flowers made a motion that this matter be placed on the agenda for the next meeting, Mr. Morris seconded the motion, and the Committee unanimously approved.

The Secretary informed the Committee that the 3 percent interest had been applied to employee contributions for the Plan Year 1986.

There being no further business, on a motion by Mr. Kasmer, seconded by Mr. Nagle, the Committee unanimously agreed to adjourn at 1:32 P.M.
SECRETARY
RETIEMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIEMENT ALLOWANCE COMMITTEE
DATED FEBRUARY 23, 1987