AGENDA

FOR THE 465TH RETIREMENT MEETING OF SEPTEMBER 21, 1987

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


4. Presentation of 2nd Quarter 1987 Indirect Real Estate report by Barbara Cambon.

5. Presentation of 2nd Quarter 1987 Direct Real Estate report by Robert Zerbst.


8. Announcement of deaths reported since the last Meeting.

9. Presentation of Survivorship Options.

10. Announcement of Pre-Retirement Surviving Spouse Allowances.

11. Presentation of new retirement applications for approval.

   a.) Dennis McFadden - employment date 09-07-61 - retroactive to 08-01-87.

   b.) Anthony Scardina - employment date 10-06-58 - retroactive to 08-01-87.

12. Employees on Disability Retirement re-examined.


14. Presentation of Bills and Remittances.

15. Death Benefits for approval.

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

17. Unfinished Business.

a.) Discussion of the selection of the Plan Actuary and Plan Auditor.

b.) Discussion of the real estate allocation of 20% per the investment policy.

c.) Discussion of the acquisition of Furman Selz by Xerox Financial Services, Inc.

d.) Question of retroactivity - Jacquelyn Baldwin.


a.) Theodore Carter - D-2141 - returned to duty 07-31-87.

b.) Thirteen month period to repay refund of contributions and interest expires -- recommendation that the following be granted a 30 day grace period.

<table>
<thead>
<tr>
<th>Name &amp; Badge No.</th>
<th>13 Month Period</th>
<th>Entered Service Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jerome Wheaton 4481</td>
<td>09-13-87</td>
<td>05-17-79</td>
<td>$2,736.40</td>
</tr>
<tr>
<td>Louis Reyes 18975</td>
<td>10-04-87</td>
<td>04-23-79</td>
<td>$2,719.71</td>
</tr>
</tbody>
</table>

c.) Mildred Stern - D-2409 - approved for retirement allowance effective 07-01-87 at Retirement Allowance Committee meeting of 06-17-87 -- request for retroactivity to 05-01-87.

d.) Leamuel Taylor - D-2414 - approved for retirement allowance effective 08-01-87 at Retirement Allowance Committee meeting of 07-20-87 - request for retroactivity to 04-01-87.

e.) Pension office salary proposal - report by subcommittee.

19. Adjournment.
The 465th Meeting of the Retirement Allowance Committee was held Monday, September 21, 1987 at 9:30 A.M., in the Western Stage Room, 14th floor, Holiday Inn Mart Plaza. The following Committee members were in attendance:

Mr. E. Flowers  Mr. W. Clark
Mr. E. Gresham  Ms. J. Hughes
Mr. I. Thomas  Mr. G. Nagle
Mr. D. Perk  Ms. V. Wendorf

Alternates H. Williams and L. Brown, who sat in Mr. Kasmer's stead were present. Mrs. A. Curtis was present. Messrs. J. Mullen, R. Pirovano and Ms. P. Williams of the Pension Office staff were present. Ms. S. Luthy of the Harris Trust and Savings Bank was present. Ms. B. Cambon of Institutional Property Consultants and Mr. R. Zerbst of Piedmont Realty Advisors, Inc. were present. Mr. J. Baratka of the Wyatt Company was also present. Messrs. Ned Joachimi and Jon Prime of the Wellesley Group, Inc. were present. Mr. T. Paravola of Burke, Griffin, Chomicz & Wienke was present. Mr. B. Scholz, pensioner representative was also present.

The Chairman called the Meeting to order at 9:47 A.M.
On the call for approval of the Minutes of the 464th Meeting held August 17, 1987, Mr. Thomas made a motion for approval, Mr. Brown seconded the motion, and the Committee unanimously approved.

Ms. S. Luthy of the Harris Trust and Savings Bank presented the Trustee Report noting the activity in the market for the last 30 days and year to date.

The Chairman turned the Committee's attention to a letter (dated 9/11/87) directed to the Committee members from Elwood Flowers regarding the asset valuation method used in the Wyatt Company's actuarial report dated June 30, 1987 and asked John Baratka for his comments. (copy attached to these minutes). The Secretary noted that Mr. Flowers asked that Mr. Baratka provide a more detailed explanation of the change in the asset valuation method. Mr. Baratka explained that in previous reports assets were valued by using the five year average ratio of market value to book value. The purpose of using any asset adjusting mechanism is to smooth out fluctuations in the market value of assets. The method used in the current report amortizes the gain or loss over a 5 year period and it was felt that this was more consistent with the long term rate of return and less dependent on specific investment decisions such as the price to book asset allocation decision. Continued use of the prior method would most likely result in recognizing market value over the next couple of years which could result in wide fluctuations.
The conclusion was to use a method which would better smooth out the year to year fluctuations in market value. This is consistent with the arbitration award.

He further noted that the 28 million dollar gain deferred under this method represents only 3-1/2% of the Fund.

With respect to contributions and how they might be impacted by using this method, he noted that the Wyatt Co. numbers would presumably be used by the negotiators, but that they would take into account the assumptions used in the report including the adjusted asset value method used. Finally, he noted that it is difficult to predict how the use of this method might impact any increase in employee contributions under a provision in the collective bargaining agreement that he only recently became aware of. Whether the new method produces a higher or lower market value will depend on what the market does in the ensuing year.

The Chairman then turned the Committee's attention to the presentation of the 2nd quarter 1987 Indirect Real Estate report by Barbara Cambon. Ms. Cambon presented the report and responded to questions from the Committee.

The Chairman then turned the Committee's attention to the presentation of the 2nd quarter 1987 Direct Real Estate report which Robert Zerbst reviewed with the Committee.

The Chairman asked that the Committee divert from the order of the agenda to discuss Item 17(b) regarding the
question of the real estate allocation which is currently at 20% per the investment policy, noting that the Committee has been discussing the possibility of a change over the last couple of months. Since the time of the original discussion on this item some new data was put together by B. Cambon and the Secretary asked Ms. Cambon to expound on a report which identified the performance results of real estate up through 1986. Ms. Cambon presented a report which indicated that real rates of return in real estate for the period 1978 - 1981 averaged 6.2% per year and for the period 1982 - 1986 had averaged a 7.6% real rate of return. A discussion ensued between Committee members after which Mr. Clark made a recommendation to maintain the real estate allocation at 20%. On a motion by Mr. Thomas, seconded by Mr. Flowers, the Committee unanimously agreed to maintain the real estate allocation at 20%. The Committee directed the real estate consultants to make recommendations to the Committee in regards to the funding up of the remaining real estate allocation.

Mr. Jon Prime of the Wellesley Group presented the 2nd Quarter 1987 report noting that the report covered the old equity managers and beginning with the 3rd quarter 1987, a more in-depth presentation would be made as the new manager results would be available.

Mr. Joachimi then reviewed a slide presentation with the Committee which identified the reasons for considering a international equity allocation. A motion was made by Mr.
Clark that the Committee entertain investing in international equities up to 10% of the market value of the Fund, Mr. Nagle seconded the motion and the Committee unanimously approved. Mr. Joachimi then distributed a report which identified performance results and other data on prospective international equity managers employing an active management approach. The question of whether or not the investment policy with regard to international equities would include a South Africa investment restriction was also discussed. Mr. Joachimi was directed to further research performance data on International South-Africa free portfolios and report back to the Committee.

The Chairman then requested that the Committee divert their attention to Item 17(c) on the agenda regarding the issue of the acquisition of Furman Selz by Xerox Financial Services, Inc. and asked Ned Joachimi to expound. Mr. Joachimi directed the Committee's attention to a letter in the meeting material which he had addressed to the Secretary discussing the acquisition of Furman Selz by Xerox Financial Services, Inc. He summarized by saying that he didn't feel there was cause for concern at this time, however he would watch the situation closely and keep the Committee advised. A discussion ensued after which the Committee directed Mr. Joachimi to closely track the firm's performance and report to the Committee if there was any concern that the ownership change was affecting investment style or performance.
The Chairman then adjourned the meeting for lunch at 1:25 P.M.

The Chairman then reconvened the meeting at 1:55 P.M.

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

The Secretary presented one (1) Survivorship Option for approval. On a motion by Mr. Brown, seconded by Mr. Perk, the Committee unanimously approved the Survivorship Options.

The Secretary announced that there were no Pre-Retirement Surviving Spouse Allowances to report at this meeting.

The Secretary presented nine (9) Retirement Applications for approval. The Secretary noted that Mr. Clark had informed him prior to his departure from the meeting that the Authority was not seeking to further delay any action on the retirement applications for Dennis McFadden and Anthony Scardina. The Secretary stated that these two applications are in good order and recommended approval for all applications presented. A discussion then ensued among Committee members regarding the legal matters pending against these two discharged employees upon which a motion was made by Mr. Perk, seconded by Mr. Brown for approval of all the retirement applications presented. The Committee unanimously approved.
The Secretary informed the Committee that eleven (11) employees who are presently receiving Disability Retirement benefits were examined or had their files reviewed.

The Secretary presented twenty-five (25) Refunds of Contributions, totaling $157,096.44 for approval. On a motion by Mr. Perk, seconded by Mr. Flowers, the Committee unanimously approved the Refunds of Contributions to be paid September 30, 1987.

The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling $72,523.75, seventeen (17) Operating Bills, totaling $121,849.21; ten (10) Remittances, totaling $431,941.48; and the 2nd month, third quarter 1987 FIT Deposit, totaling $179,014.09. On a motion by Mr. Flowers, seconded by Mr. Brown, the Committee unanimously approved the Bills and Remittances totaling $805,328.53 to be paid September 30, 1987.

The Secretary presented for approval twenty-two (22) Death Benefits, totaling $64,500.00. On a motion by Mr. Perk, seconded by Mr. Flowers, 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 in the Trustee Summary and noted that the market value of the total assets of the Plan as of August 31 was $875,771,885.03.

Mr. J. Mullen then presented a report on the
Certificate of Indebtedness noting that the monthly payment from the Authority had been received on August 31, amounting to $705,829.38, leaving a balance of $2,823,317.55. At the Secretary's request Mr. Mullen presented a report on the commission dollars generated through July, 1987 which were available for soft dollar payment of the Wellesley Group fees with the excess to be used to pay for other services to the Plan at the ratio of 1.7 to 1. Mr. Mullen then presented a report on the results of the Tactical Asset Allocation Strategy which was initiated by The Boston Company on August 20, 1987.

The Chairman turned the Committee's attention to the discussion of the selection of the Plan Actuary and Plan Auditor. Mr. Mullen presented a report listing the firms that submitted proposals and their fees noting that the fees for the current providers of these services did not appear to be outside a reasonable range. The Secretary recommended that the Committee continue to retain the Wyatt Company and Arthur Young to perform the required services and stated the following reasons for that recommendation:

(1) He noted that the value of their experience could not be overemphasized.

(2) The investment of time by the Pension Fund staff to bring the new firm along the learning curve is a significant issue because 1987 is shaping up to be a busy year in terms of the amount of accounting and auditing work that has to be done. (i.e., the termination of nine (9) equity managers and the hiring of nine (9) new equity managers along with the addition of an asset allocation manager employing futures contracts).
Also the fact that we have direct real estate investments that careful attention has to be paid to in the audit process.

(3) The fact that with these firms we are dealing with a known entity and as there has been no dissatisfaction with the services rendered there is value to continue to use the same firms.

A brief discussion ensued between Committee Members after which a motion by Mr. Nagle, seconded by Mr. Thomas and Mr. Perk, the Committee unanimously approved the retention of The Wyatt Company and Arthur Young for a 2-year period of time.

The Secretary then turned the Committee's attention to the case of Jacquelyn Baldwin. Mr. Pirovano indicated that she was a disability retiree who was approved for a 9/1/87 retirement at the last Committee meeting but that in addition, the question of possible retroactivity was raised. Mr. Pirovano referred the Committee to a memo in the meeting material from the Manager of Personnel Administration recommending that retroactivity not be granted for Jacquelyn Baldwin as the opportunity to apply for disability retirement was presented on several occasions. A discussion then ensued between Committee Members after which no motion was made to grant retroactivity on this disability retirement.

The Secretary informed the Committee that Theodore Carter, #D-2141 returned to duty July 31, 1987.

The Secretary then informed the Committee that the thirteen-month repayment of contributions period had expired

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for Jerome Wheaton and Louis Reyes and recommended that they be granted a 30-day grace period. On a motion by Mr. Nagle, seconded by Mr. Perk, the Committee unanimously approved to grant the above named employees a 30 day extension on the repayment of their refund of contributions.

The Secretary turned the Committee's attention to the retroactive retirements for Mildred Stern and Leamuel Taylor who were approved for retirement allowance at previous meetings. He turned this issue over to Mr. R. Pirovano for explanation to the Committee. Mr. Pirovano reviewed the Mildred Stern case noting that this employee was approved for a retirement allowance effective July 1, 1987 at the Retirement Allowance Committee meeting held June 17, 1987 and made a request for retroactivity to 5/1/87. He noted that in this case the employee was not contacted by Personnel and advised that she was eligible to retire at that time. He also noted that Leamuel Taylor was approved for a retirement allowance effective 8/1/87 at the Retirement Allowance Committee meeting of July 20, 1987 and made a request for retroactivity to 3/1/87. Mr. Pirovano noted that in this case the employee was also not contacted by Personnel and, therefore, in both cases the Secretary's Office was recommending approval of retroactivity as requested. On a motion by Mr. Flowers, seconded by Mr. Brown, the Committee unanimously approved making the retirement allowances for Mildred Stern and Leamuel Taylor, retroactive to 05/01/87 and 03/01/87,
respectively.

The Secretary then turned the Committee's attention to the Pension Office salary proposal. A discussion ensued between Committee members regarding this issue which resulted in the Chairman stating that he would like to have input from all the members of the sub-committee that was formed for this. He discussed the possibility of replacing one of the sub-committee members due to conflicting schedules and noted that this issue should be settled by the next meeting.

There being no further business, on a motion by Mr. Flowers, seconded by Mr. Thomas the Committee unanimously approved to adjourn at 3:35 P.M.

\[Signature\]

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

\[Signature\]

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

October 19, 1987

DATED