AGENDA
FOR THE 467TH RETIREMENT MEETING OF NOVEMBER 16, 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 466th Meeting held October 19, 1987.

3. Approval of the Minutes of the Special Meeting held October 27, 1987.

4. Report by Trustee.

5. Report by the Boston Company on the asset allocation model.

6. 3rd Quarter report by the Wellesley Group.

7. Announcement of deaths reported since the last Meeting.

8. Presentation of Survivorship Options.


10. Presentation of new retirement applications for approval.

11. Employees on Disability Retirement re-examined.


13. Presentation of Bills and Remittances.


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


   b.) Pension office salary proposal.
17. New Business

a.) Nelson Sanders - D-2423 - returned to duty 10-19-87.

b.) William M. Melfic revoked his A-All Survivorship Option which was to have become effective on 3-1-88.

c.) Manuel Coronado revoked his B-1/2 Survivorship Option which was to have become effective on 1-1-88.

d.) 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>Reuhen R. Muzzall 27007</td>
<td>11/27/87</td>
<td>12/09/68</td>
<td>$14,742.26</td>
</tr>
<tr>
<td>Arcadio DeLeon 4107</td>
<td>11/27/87</td>
<td>04/11/74</td>
<td>$9,617.67</td>
</tr>
</tbody>
</table>

e.) Assignment of new pension seniority date for Luis A. Reyes. Thirty-day extension to pay refund of $2,719.71 expired 11-4-87. New seniority date for pension purposes only - April 30, 1985.

f.) Discussion of the report on the indirect real estate investment and the role of real estate consultant.

18. Adjournment.
The 467th Meeting of the Retirement Allowance Committee was held Monday, November 16, 1987 at 9:30 A.M., in the Western Stage Room, 14th floor, Holiday Inn Mart Plaza. The following Committee members were in attendance:

Ms. W. Black
Mr. E. Gresham
Mr. A. Kasmer

Mr. W. Clark
Ms. J. Hughes
Mr. G. Nagle
Mr. D. Perk
Ms. V. Wendorf

Alternates H. Williams, L. Brown, and L. Morris who sat in I. Thomas's stead were present. Alternates A. Curtis and J. Lawrie were also present. Messrs. J. Mullen, R. Pirovano, and Ms. P. Ware of the Pension Office staff were present. Mr. R. Walker of the Harris Trust & Savings Bank was present. Messrs. E. Peters and K. Kenly of the Boston Company were present. Messrs. N. Joachimi and J. Prime of the Wellesley Group were also present. Mr. R. Burke, Plan Attorney was present. Mr. B. Scholz, pension representative was also present.

The Chairman called the Meeting to order at 9:43 A.M.

On the call for approval of the Minutes of the 466th Meeting, held October 19, 1987, Mr. Perk made a motion
for approval, Mr. Williams seconded the motion, and the Committee unanimously approved.

Mr. R. Walker 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 asked that item 6 on the agenda be addressed next. He then called for the 3rd quarter report by the Wellesley Group. Mr. Joachimi referenced a letter which he distributed that addressed the events of the last few weeks taking place in the security markets. He summarized the letter's point by stressing the need to adhere to a long term perspective in viewing the investment policy. Mr. Joachimi distributed and reviewed a summary report of the 3rd quarter 1987 noting that the complete report was not yet ready. He also presented a report identifying the October 31, 1987 market values of each of the equity accounts and their performance for the month of October.

At the request of the Secretary, Mr. Joachimi addressed the issue of the funding of the Ariel Capital equity account. He recommended that Ariel Capital be funded its remaining allocation of $14 million from the cash account. On a motion
by Mr. Clark, seconded by Mr. Kasmer, the Committee unanimously approved the $14 million funding of the Ariel Account from the Cash Account.

The Chairman turned the Committee's attention to the report by The Boston Company on the asset allocation model. Mr. Kenly stated that The Boston Company's job is to add value by tactically over and under weighting asset classes using a highly disciplined and systematic approach. Mr. Peters reported that the current position is 79% equities, 20% bonds, and 1% cash which reflects a shift from the 70% equity position made on November 11, 1987. He indicated that the current outlook is positive on stocks, and bonds are more attractive than cash; stocks are fairly valued but are being overweighted because of a positive economic scenario.

Mr. Peters then reported that the balance in the account after the close on November 11, 1987 was $69.3 million. He presented a report dated November 16, 1987 entitled CTA Investment Review Meeting covering the performance of the asset allocation account. Mr. Peters introduced a variation to the model which they call the modified unconstrained approach which allows shifts to be made in larger increments. A discussion ensued regarding the merits of adopting this variation during which Mr. Joachimi recommended that the
Committee adopt the modified unconstrained allocation model and maintain the same asset class targets and ranges which were previously established. In response to a request by the Chairman, Mr. Walker stated that the Harris Bank does not pass judgment as to the viability of any particular asset allocation model, but rather has responsibility as a fiduciary to approve the selection of a consultant and, as the Committee knows, has found the Wellesley Group to be a qualified consultant. Additionally, the Harris reviewed the selection of the Boston Company and found them to qualify as an experienced money manager. On a motion by Mr. Clark seconded by Mr. Perk, the Committee approved adoption of the modified unconstrained asset allocation model with the same asset class targets and ranges currently in effect. Virginia Wendorf voted nay.

The Chairman asked that item 16 (a) on the agenda be addressed next. Mr. Joachimi reviewed with the Committee its decision to approve a 10% allocation to international equities made several months ago, noting that a Sullivan Principle type restriction was not available internationally. He further indicated that going into international equities on a South Africa free basis would significantly impact the weightings of the United Kingdom and Germany and in view of that and other data his firm analyzed, it was his opinion that if it was the Committee's position that an international equity allocation would have to be South Africa free, then at this point investment in international is not viable. The Plan Attorney stated that unless one can show that adopting a
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South Africa free policy does not measurably diminish return or enhance risk then one cannot apply a South Africa free policy to an international allocation. A discussion ensued during which Mr. Perk moved that the Committee not initiate an allocation into international equities, Mr. Kasmer seconded and the Committee unanimously approved.

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

The Secretary presented three (3) Survivorship Options 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 Disability Application for Charles Clark, Diego L. Santos-Rios, and George H. Thompson are all subject to CTA medical opinion. On a motion by Mr. Brown, seconded by Ms. Black, the Committee unanimously approved the retirement applications as presented.

The Secretary informed the Committee that three
(3) employees who are presently receiving Disability Retirement benefits were examined or had their files reviewed.

The Secretary presented fourteen (14) Refunds of Contributions, totaling $74,551.92 for approval. On a motion by Mr. Clark, seconded by Mr. Perk, the Committee unanimously approved the Refunds of Contributions to be paid November 30, 1987.

The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling $43,613.19, twenty (20) Operating Bills, totaling $39,051.45; ten (10) Remittances, totaling $427,958.91; and the 1st month, fourth quarter 1987 FIT Deposit, totaling $185,776.51 On a motion by Mr. Brown, seconded by Ms. Black, the Committee unanimously approved the Bills and Remittances, totaling $696,400.06 to be paid November 30, 1987.

The Secretary presented for approval forty one (41) Death Benefits, totaling $125,500.00. On a motion by Mr. Brown, seconded by Mr. Perk, 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 October rate of return for
the Fund was -14.90% and the market value of the total assets of the Plan as of October 31 was $731,892,459.25.

Mr. J. Mullen then presented a report on the Certificate of Indebtedness noting that the regular October monthly payment from the Authority had been received on October 31, amounting to $705,829.38 leaving a balance of $1,411,658.79.

The Secretary then turned the Committee's attention to a travel request by Mr. Kasmer to attend the International Foundation of Employee Benefit Plan's Conference in San Francisco on December 4 - 9, 1987. On a motion by the Secretary, seconded by Mr. Perk, the Committee unanimously approved Mr. Kasmer's attendance at the conference.

The Secretary informed the Committee that Piedmont Realty Advisors was making arrangements for the appraisals of the direct properties to be performed for year end 1987. Piedmont was recommending that Terrence O'Brien and Associates be engaged to appraise the equity investments and Donald A. Engel and Associates to appraise the participating mortgages. All properties except Bannockburn, Jeffrey Manor, and 3660 North Lake Shore Drive would be appraised. On a motion by Mr. Kasmer, seconded by the Secretary, the Committee unanimously approved authorization for Piedmont to negotiate fees and enter into con-
tracts with the above named real estate appraisers.

The Secretary raised the topic of pre-retirement programs for the purpose of discussing whether this might be a benefit the Committee would be interested in having offered to prospective retirees. A discussion ensued after which the Committee directed the Secretary to meet with Mr. Garrett of the CTA Human Resources Department to pursue having the Authority finance the cost of the program.

The Secretary then raised the subject of service credits after age 65 for active employees noting that the most recent collective bargaining agreement requires that the provisions of the Age Discrimination and Employment Act be followed in determining the rules for service credit. He asked Mr. Pirovano to expound. Mr. Pirovano explained that credit for service for employees over age 65 will begin to accrue on January 1, 1988. He noted that the question that is most pressing to many is whether they will get credit for service after age 65 and before January 1, 1988. He further noted that Mr. Burke's office indicated that the Act itself does not clearly address that situation as regulations have not yet been released. The Plan Attorney stated that the crediting of service prior to January 1, 1988 for active employees over age 65 is a subject
that could be addressed in the collective bargaining process. The Chairman stated that it was his understanding that the attorneys for the Unions and Authority were to meet to resolve that issue, and he would look into it and report back to the Committee.

The Chairman asked that Item 16 (b) be delayed until all other business before the Committee was addressed.

The Secretary informed the Committee that Nelson Sanders, D-2423 returned to duty on October 19, 1987. William M. Melfic revoked his A-All Survivorship Option which would have become effective on March 3, 1988 and Manuel Coronado revoked his B-1/2 Survivorship Option which was to become effective on January 1, 1988.

The Secretary then recommended that a 30 day grace period for Reuben R. Muzzall and Arcadio DeLeon to repay their refund of contributions and interest be granted. On a motion by the Secretary, seconded by Ms. W. Black, the Committee unanimously approved a 30 day grace period for the two above named employees to repay refunds of contributions.

The Secretary then recommended that the Committee assign a new pension seniority date for Luis A. Reyes whose
30 day extension to repay a refund of $2,719.71 expired November 4, 1987. On a motion by the Secretary, seconded by Ms. W. Black, the Committee unanimously approved a new pension seniority date of April 30, 1985 for Luis A. Reyes.

The Chairman asked that the Secretary address item 17 (f). The Secretary reminded the Committee that the report on the performance of the indirect real estate managers is done by Barbara Cambon's firm, Institutional Property Consultants, but included in the provisions of the contract with Piedmont Reality Advisors which expires December 31, 1987. He suggested that other firms offering this service be invited to make a presentation to the Committee. The Committee directed the Secretary to arrange for presentations by other interested firms.

The Plan Attorney brought to the Committee's attention an issue that had come up in regard to the Jeffrey Manor real estate investment which was approved in July of this year. The Plan Attorney explained that a development had occurred that related to how the Cook County Assessor's Office would determine the tax assessment on this property. He referenced a memorandum dated November 10, 1987 (a copy of which is attached to these minutes) detailing the specifics involved and a recommended method of restructuring the purchase. A discussion
ensued after which the Committee directed the Secretary to request Dr. Zerbst's attendance at the next meeting to address questions regarding the viability of continuing with this investment.

The Chairman turned the Committee's attention to item 16 (b) regarding the Pension Personnel Proposal and made a report of the subcommittee consisting of Messrs. Gresham, Clark, Perk and Brown. Their recommendation was that Mr. Nagle be given the title of Executive Secretary of the Retirement Allowance Committee, be paid an annual salary of $60,000.00 commencing November 1, 1987, and prior to the one-year anniversary of that date the Chairman would appoint a subcommittee of which Mr. Nagle would be a member to consider his salary in the context of comparable salaries for positions similar to his without regard to CTA management levels and hence a yearly review is anticipated. In addition, Mr. Nagle would continue to serve as Executive Secretary unless his service as Executive Secretary was terminated by a decision of the Committee made pursuant to a vote supported by a majority of both the management and union membership. Furthermore, Mr. Nagle would remain a CTA employee with all fringe benefits that go with that except for salary adjustments, which would be done at the Committee level, and all reviews hereafter are to be done at the Committee
level rather than by the CTA staff. A discussion ensued during which Ms. Wendorf moved that the foregoing recommendation of the subcommittee be accepted, Mr. Clark seconded and the Committee unanimously approved.

The Committee unanimously approved a motion to adjourn at 2:15 p.m.

EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

12-21-87
DATED