AGENDA
FOR THE 475TH RETIREMENT MEETING OF JULY 18, 1988

1. Meeting will be called to order at 10:00 a.m., Grant Park Room, Hotel Nikko.

2. Approval of the Minutes of the 474th Meeting held June 20, 1988.


4. Actuarial valuation -- Mr. Baratka will respond to any follow up questions by the Committee.

5. First Quarter 1988 SEI report -- Mr. M. Howard.


7. Discussion of alternative investments such as venture capital and oil & gas partnerships -- Wellesley Group.

8. Announcement of deaths reported since the last meeting.


10. Presentation of new retirement applications for approval.
   a) Talmadge Ireland, Jr. -- retroactive to 07-01-88.

11. Employees on Disability Retirement re-examined.


13. Presentation of Bills and Remittances.


15. Report by Secretary of Deposits, Disbursements and Investments.
   a) Report on results of the asset allocation model.

16. Unfinished Business
   a) Discussion of the calculation of compensation for pension earnings purposes for individuals on leave of absence holding full-time union positions.
   b) Fiduciary Liability Insurance coverage for Retirement Allowance Committee.
17. New Business

a) Robert Krejca -- approved at the Retirement Allowance Committee meeting of 06-20-88 for disability allowance to begin on 07-01-88 subject to medical evaluation -- found fit for duty. Application returned.

b) Jerald Kraus -- D-2173 - returned to duty 06-06-88.

c) George O'Neil -- revoked his retirement application which was approved at the Retirement Allowance Committee meeting of 06-20-88 and which was to have become effective on 07-01-88.

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 Expires</th>
<th>Entered Service Date</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duane Butler 15459</td>
<td>06-26-88</td>
<td>10-19-77</td>
<td>$3,753.18</td>
</tr>
<tr>
<td>Melvin Collins 4259</td>
<td>06-26-88</td>
<td>05-19-69</td>
<td>13,027.31</td>
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</tbody>
</table>

e) Revision of Rules No. 2, 18 and 28 and adoption of Rule No. 30.

f) Presentation of proposed pre-retirement program -- Mr. Robert O'Connor of Sugerman Associates.

18. Adjournment
The 475th Meeting of the Retirement Allowance Committee was held Monday, July 18, 1988 at 10:00 A.M., in the Grant Park Room - Hotel Nikko. The following were in attendance:

Ms. W. Black
Mr. E. Gresham, Chairman
Mr. A. Kasmer, Jr.
Mr. I. Thomas

Mr. G. Nagle, Secretary
Mr. D. Perk
Ms. V. Wendorf

Alternate L. Morris sat in I. Thomas' stead (for the latter part of the Meeting). Mr. W. Buetow sat in Ms. J. Hughes' stead. Mr. H. Hegarty sat in Mr. C. Knox's stead. Mrs. A. Curtis sat in W. Clark's stead. Alternates L. Brown and H. Williams were present. Mr. W. Ross and Ms. P. Williams of the Pension Office staff were present. Messrs. N. Joachimi and J. Prime of the Wellesley Group were present. Mr. R. Wood and Ms. A. Bobbitt of SEI were present. Mr. R. Burke, the Plan Attorney, was present. Mr. B. Scholz, pensioner representative was also present.

(1) The Chairman called the meeting to order at 10:10 A.M.

(2) On the call for approval of the Minutes of the 474th meeting, held June 20, 1988, Ms. Black made a motion for approval, Mr. Hegarty, seconded the motion, and the Committee unanimously approved.

(3) Ms. S. Luthy of the Harris Trust and Savings Bank presented
a report on the activity in the markets over the last 30 days and year to date.

(4) Mr. John Baratka of the Wyatt Company responded to follow up questions from the Committee with regard to the Actuarial Study presented at last month's meeting.

(5) Mr. R. Wood presented the first quarter, 1988 SEI report.

(6) Mr. Ed Peters reported on the Boston Co.'s tactical asset allocation model. Mr. Peters of the Boston Company explained the reason for his presence today was to inform the Committee that the asset allocation model was calling for a significant shift away from equities for the first time since the Plan began using the model almost one year ago. He explained that the economic factors used by the model had turned negative calling for a current allocation of 34% equities, 43% real estate/bonds and 23% cash. He further noted that the equity allocation would be moved down to 24% over the near term.

(7) Mr. Ned Joachimi of the Wellesley Group reported that he met with representatives of Atalanta Sosnoff to discuss their performance which has been consistently below their peer group since inception and to investigate the change in investment style as indicated by the Wellesley Group report. He noted that Atalanta Sosnoff has experienced personnel changes that have affected the management of the Plan's account. Mr. Joachimi
indicated that he was concerned about this manager, and said that he would like to proceed with a more in-depth look with the participation of the Committee. He suggested that Mr. Nagle and one or two other interested Committee members visit the Atalanta Sosnoff offices in New York along with himself prior to making any final recommendation. Mr. Thomas moved that the Secretary and other interested Committee members be given approval to travel to New York to meet with Atalanta Sosnoff as recommended by Ned Joachimi, Mr. Perk seconded and the Committee unanimously approved.

Mr. Joachimi then turned the Committee's attention to a discussion of alternative investment strategies such as venture capital and oil and gas partnerships. He stated that these types of investments provide excellent diversification to equities, bonds and real estate and noted that his firm is constantly reviewing prospective investments in this area. He further noted that he had reviewed an oil and gas partnership known as the J. P. Morgan Petroleum Fund II (Fund II) and asked Mr. Prime to review the specifics of this investment. Mr. Prime distributed and reviewed, in-depth, a report on Fund II. In conclusion, he stated that the Wellesley Group was recommending that the Committee consider an investment of $10,000,000.00 in Fund II. Mr. Perk requested more data on the expenses expected to be incurred by Fund II. The Secretary recommended that representatives of J. P. Morgan be asked in to make a
presentation on Fund II. The Chairman requested that the Wellesley Group obtain the requested data and directed the Secretary to ask J. P. Morgan to make a presentation at the next Committee meeting.

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

(9) The Secretary reported that there were no Pre-Retirement Surviving Spouse Allowances.

(10) The Secretary presented seventeen (17) Retirement Applications for approval, including a request for retroactivity to 7/1/88 for Mr. T. Ireland received from his superintendent stating that he was misinformed as to the deadline for filing his application. On a motion by Mr. Kasmer, seconded by Mr. Morris, the Committee unanimously approved the retirement applications as presented, including Mr. Ireland's request for retroactivity to July 1, 1988.

(11) The Secretary informed the Committee that two (2) employees who are presently receiving Disability Retirement Benefits were examined or had their files reviewed.

(12) The Secretary presented twenty-seven (27) Refunds of Contributions totaling $185,298.02 for approval. On a motion by Mr. Morris, seconded by Ms. Black, the Committee unanimously approved the Refunds of Contributions to be paid

(13) The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling $38,309.19, fourteen (14) Operating Bills, totaling $63,034.25, nine (9) Remittances, totaling $484,344.40 and the FIT Deposit, totaling $210,118.10. On a motion by Mr. Morris, seconded by Ms. Black, the Committee unanimously approved the Bills and Remittances, totaling $796,505.92.

(14) The Secretary presented for approval thirty (30) Death Benefits, totaling $98,000.00. On a motion by Mr. Perk, seconded by Mr. Morris, the Committee unanimously approved the Death Benefits to be paid July 31, 1988.

(15) The Secretary turned the Committee's attention to the Report on Deposits, Disbursements and Investments in the Trustee Summary and noted that the June, 1988 performance for the Fund was 5.04% and the market value of the total assets of the Plan as of June 30, 1988 was $834.3 million.

(13a) The Secretary presented a report on the results of the asset allocation model which indicated that the inception to date (thru 6/30/88) value added by the Boston Company was 1.90%. The report also identified the asset allocation changes since inception and indicated that the market value of the Boston Company account was $86,475,124.00 as of June 30, 1988.
The Secretary then informed the Committee of a request from Mr. Al Kasmer, Jr. for approval to attend the International Foundation of Employee Benefit Plans conference being held in New Orleans in November. Mr. Perk then requested that his attendance at this seminar be approved. On a motion by the Secretary, seconded by Mr. Morris, the Committee unanimously approved the attendance of Messrs. Perk and Kasmer at the seminar.

(16a) The Secretary requested that the issue of compensation for union officers be held in abeyance until the next meeting, as this item was left on the agenda at the request of Mr. Knox who is not in attendance.

(16b) The Secretary reported that he was informed by the Manager of Benefit Services that a one year policy had been approved at a premium cost to the Retirement Plan of $35,000.00. He recommended that the Plan Attorney review the policy before the Committee acts to approve it.

(17a) The Secretary reported that Robert Krejca who was approved at the Retirement Allowance Committee meeting of June 20, 1988 for a 7/1/88 disability allowance and whose application was subject to medical evaluation was found fit for duty and his application was returned. He further noted that Mr. Krejca indicated he was returning to work.

(17b) The Secretary reported that Jerald Kraus - #D-2173
returned to duty June 6, 1988.

(17c) The Secretary reported that George O’Neil revoked his retirement application which was approved at the Retirement Allowance Committee meeting of June 20, 1988 and which was to have become effective on July 1, 1988.

(17d) The Secretary informed the Committee that the following employees' thirteen month period for repayment of contributions had expired and recommended that they be granted a 30-day grace period: Duane Butler and Melvin Collins. On a motion by Ms. Black, seconded by Mr. Perk, the Committee unanimously approved.

(17e) The Chairman asked that the Plan Attorney address the proposed revision of Rules No. 2, 7, 18, 28 and adoption of Rule No. 30. (copy attached to these minutes). The Plan Attorney explained that Rule No. 2 is being revised so as not to exclude disability retirements from the provisions of the rule. Rule No. 7 is being revised so as not to conflict with the provisions of Rule 30 which he would discuss later. Rule No. 18 is being revised to reflect the provision of the most recent collective bargaining agreement removing the requirement for evidence of good health in conjunction with the submission of an option calculation. Rule No. 28 is being revised in order to keep the Plan provisions in compliance with the requirements of the Internal Revenue Code regarding the maximum
annual benefit which may be provided by the Plan. Rule No. 30 is being adopted in order that the Plan comply with the amendments made to the Internal Revenue Code by the Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Act of 1987 concerning requirements as to the form of benefit payments which may be made from the Plan. On a motion by Mr. Kasmer, seconded by Ms. Wendorf, the Committee unanimously approved the revisions to Rules No. 2, 7, 18 and 28, and the adoption of Rule No. 30.

(17f) Mr. Robert O'Connor of Sugarman Associates presented a proposal on a pre-retirement program as identified in his letter dated June 20, 1988. The Secretary suggested that representatives of the Committee attend a full session conducted by Sugarman Associates and report back to the Committee. Messrs. Kasmer, Perk and Hegarty indicated they would be interested in attending a session with the Secretary.

(18) There being no further business, the Committee unanimously approved to adjourn at 2:30 P.M.
EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

Eleven O. Wren
CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE
P-15-88
DATE