A G E N D A

FOR THE 435TH RETIREMENT MEETING OF MARCH 18, 1985

1. Meeting will be called to order at 10:30 A.M., Lake House Room, 14th floor, Holiday Inn Mart Plaza.

2. Approval of Minutes of the 434th Meeting held February 19, 1985.

3. Report by Trustee.

4. Announcements of Deaths Reported since last meeting.

5. Presentation of Survivorship Options.

6. Announcements of Pre-Retirement Surviving Spouse Allowances.

7. Presentation of New Applications for approval.

   a.) Michael F. Castiglione - retroactive to 03-01-85.

8. Employees on Disability Retirement re-examined.

9. Presentation of Refunds of Contributions to be paid March 31, 1985.

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

    a.) Report on payment on the Certificate of Indebtedness for 1981 Employer Contributions.

11. Presentation of Bills and Remittances.

12. Death Benefits for approval.

13. New Business.

    a.) Arnold Caldwell -- elected to deny a Pre-retirement Surviving Spouse Allowance.

    b.) Signature authority in absence of the Chairman.

    c.) On layoff status in excess of 3 years:

Steven T. Bubacz #15271	Laid off 03-19-82
Nancy A. Egan #19327	Laid off 03-20-82
Bonnie M. Walker #2188	Laid off 03-20-82
James W. Williams #6051	Laid off 03-25-82

14. Adjournment.

ratio. Further, he stated that he knew Paul Kole was comfortable that all other aspects of our stated investment policy were in place. A discussion ensued regarding the mechanics of the debt/equity decison rule during which the Secretary pointed out that the model required the Fund to commence a shift from the current 71 percent equity exposure to 60 percent. The Secretary also pointed out that the relative subsector weightings which were established by Lowry, Mr. Kole, and himself during the summer of 1984 should be maintained. The Secretary further indicated that it was his understanding that Mr. Kole was very comfortable with the relative subsector weightings that were set up at the time of the restructuring in 1984. The Chairman then asked for a report from Harris Bank. Mr. Walker reported that at the time they were hired to be Trustee they were fully briefed on the investment policy that was in place and the investment objectives that were established and that barring some major change, economic or otherwise, the selection of the new money managers that occurred in the summer of 1984 should be left intact. In response to a question by the Chairman, Mr. Walker stated that the continued implementation of the existing investment policy including the adjusting of the debt/equity ratio in response to the change in the price to book ratio (of the S & P 400) is appropriate. He further stated that the bank was comfortable with the current money managers and the segments of the market in which the Fund was invested. Mr. Perk inquired as to how the reduction would effect the various subsectors and the managers within those subsectors. A discussion ensued among the Committee Members during which the Secretary explained that the reduction should be made on a pro rata basis and should not be a reflection of any relative performance differences. The Secretary further pointed out that W. L. Morgan and Windsor limited the Plan to investments of 25 million dollars and 15 million dollars respectively, which was significantly less than they were originally recommended to receive and, therefore, monies under their management should not be reduced. The Plan Attorney asked for clarification stating that it would not be pro rata based on the February 28th market value but rather pro rata consistent with the historical breakout in those subsectors that were recommended by both the Lowry organization and Paul Kole. The Secretary responded in the affirmative. The Plan Attorney noted that the foregoing was the subject matter of the second question put to the Harris Bank in the letter attached to these Minutes. He then suggested that the Trustee give its opinion regarding that question. Mr. Walker stated that the method (outlined by the Secretary) was reasonable way to reapportion and readjust the balances in the total portfolio.

The Chairman then summarized what was being recommended. Mr. Thomas stated that he felt the Committee should have a consultant before making a move otherwise it may be overstepping its bounds. In response to

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 435th Meeting of the Retirement Allowance Committee was held on Monday, March 18, 1985, in the Lake House Room, 14th Floor, Holiday Inn Mart Plaza. The following were attendance:

Mr. C. Andersen	Mr. A. Kasmer, Jr.
Mr. E. Flowers	Mr. G. Nagle
Mr. J. Gallagher	Mr. D. Perk
Mr. E. Gresham	Mr. I. Thomas

The Secretary informed the Committee that Mr. Andrzejewski had submitted written notification requesting that Mr. R. Jania sit in his stead. The Vice Chairman informed the Committee that Mr. L. Morris was sitting in Ms. W. Black's stead. Messrs. L. Brown, H. Reed, H. Hegarty, J. Breckenridge, and Mrs. A. Curtis were present. Mr. J. Mullen, Ms. P. Williams, and Ms. C. Cox were present. Messrs. W. Ashley and J. Weatherspoon were present. Mr. R. Burke, the Plan Attorney, was present. Messrs. G. Schedler, R. Walker and R. Caldwell, of the Harris Bank, were also present. Mr. J. Baratka, of The Wyatt Company, was present. Mr. B. Scholz, pensioner representative, was also present.

The Chairman called the meeting to order at 10:40 A.M.

The Chairman called for the approval of the Minutes of the 434th Meeting, held February 19, 1985. On a motion by Mr. Thomas, seconded by Mr. Perk, the Committee unanimously approved the Minutes of the 434th Meeting.

The Chairman informed the Committee that he wished to veer from the agenda in order to present the following items for discussion and asked for a motion to that effect:

1. The reason the Committee Meeting was being held at this location.

2. The effect the death of Paul Kole may have on the Pension Fund and what steps should be taken at this time.

On a motion by Mr. Perk, seconded by Messrs. Nagle and Kasmer, the

Committee unanimously approved the presentation of the above items which were not on the agenda.

The Chairman opened for discussion the matter of a permanent location for the monthly Committee meeting to be held, noting the reasons why the matter was being brought before the Committee. A discussion ensued between Committee Members during which the possibility of securing additional space for a conference room at 440 N. Wells, renting space at a location such as the Holiday Inn, and using Trustee facilities were suggested. The Chairman called for a motion to direct the Pension Department Staff to look into the possibility of securing space at the Harris Bank, secure definite cost figures for the additional space at 440 N. Wells, including furnishings, and to direct the Plan Attorney to check the lease on the present space at 440 N, Wells for any possible violations by the landlord and to see if we are tied to the lease for the full five year period, all of which is to be reported to the Committee at the next meeting. Mr. Gresham so moved, Mr. Kasmer seconded the motion, and the Committee unanimously agreed.

The Chairman turned the Committee's attention to the untimely death of Mr. Paul Kole and asked the Pension Department staff and Trustee to present a report with respect to the present status of the Fund and the Plan Attorney to report on the contractual agreement between Paul Kole & Associates and the Plan. The Plan Attorney noted that the provisions of the agreement were automatically terminated upon Mr. Kole's death. The Secretary turned the Committee's attention to a letter addressed to the Trustee and a report on the Statement of Investment Strategy - Mechanical Decision Rule, copies of which are attached to these Minutes. The Secretary then began his report noting that what needed to be addressed at this time was the active part of the investment strategy that encompasses the Fund's debt/equity decision rule. The Secretary noted that the Secretary's Office has historically worked with the investment consultant in monitoring the ratio of the S&P 400 based on the price to book value. The Secretary further stated that based on his discussions with Paul Kole in late February and early March it was his understanding that Mr. Kole was moving toward making a recommendation to the Committee to implement the Fund's mechanical decision rule to adjust the debt/equity ratio. Further, he stated that he knew Paul Kole was comfortable that all other aspects of our stated investment policy were in place. A discussion ensued regarding the mechanics of the debt/equity decision rule during which the Secretary pointed out that the model required the Fund to commence a shift from the current 71 percent equity exposure to 60 percent. The Secretary also pointed out that the relative subsector weightings which were established by Lowry, Mr. Kole, and himself during the summer of 1984 should be maintained. The Secretary further indicated that it was his understanding that Mr. Kole was very comfortable with the relative subsector weightings that were set up at the time of the restructuring in 1984. The Chairman then asked for a report from Harris Bank. Mr. Walker reported that at the time they were hired to be Trustee they were fully briefed on the investment policy that was in place and the investment objectives that were established and that barring some major change, economic or otherwise, the selection of the new money managers that occurred in the summer of 1984 should be left intact. In response to a question by the Chairman, Mr. Walker stated that the bank was comfortable with the current money managers and the segments of the market in which the Fund was invested. Mr. Perk inquired as to how the reduction would effect the various subsectors and the managers within those subsectors. A discussion ensued among the Committee Members during which the Secretary explained that the reduction should be made on a pro rata basis and should not be a reflection of any relative performance differences. The Secretary further pointed out that W. L. Morgan and Windsor limited the Plan to investments of 25 million dollars and 15 million dollars respectively, which was significantly less than they were originally recommended to receive and, therefore, monies under their management should not be reduced. The Plan Attorney asked for clarification stating that it would not be pro rata based on the February 28th market value but rather pro rata consistent with the historical breakout in those subsectors that were recommended by both the Lowry organization and Paul Kole. The Secretary responded in the affirmative. Mr. Walker also added that it was a reasonable way to reapportion and adjust the balances in the total portfolio.

The Chairman then summarized what was being recommended. Mr. Thomas stated that he felt the Committee should have a consultant before making a move otherwise it may be overstepping its bounds. In response to the Chairman, the Plan Attorney stated that the recommended adjustment represented a move to implement the investment policy and cautioned the Committee against not implementing that policy by taking no action. Mr. Perk raised a question with regard to whether the consultant, if we currently had one, could he in and of himself accomplish the shift without the approval of the Committee. The Plan Attorney indicated that there must be Committee approval. Mr. Perk further questioned whether the Committee could act without the aid of a consultant. The Plan Attorney responded in the affirmative. The Chairman asked for a motion that would direct the Secretary's Office to direct the Harris Bank as Trustee to comply with the stated policy and to commence reducing our equities from the present 71 percent to 60 percent. Mr. Perk so moved, and Mr. Flowers seconded the motion. On the question, Mr. Perk asked when we would next look at the price to book. The Chairman responded that it would be continuously monitored and reported to the Committee by both the Trustee and the Secretary's Office each month. The Chairman called for a roll call vote, the results of which are as follows: Mr. Andersen, aye; Mr. Jania, aye; Mr. Flowers, aye; Mr. Gresham, aye; Mr. Nagle, aye; Mr. Gallagher, aye; Mr. Perk, aye, Mr. Morris, aye; Mr. Kasmer, aye; Mr. Thomas, nay. The roll call vote resulted in approval of the motion.

The Chairman stated that the next issue was the selection of a financial consultant noting that the bylaws provide for the Chairman to appoint a subcommittee to look into adhoc type situations. The Chairman then appointed Mr. Gresham, Mr. Flowers, Mr. Nagle and himself to sit on the subcommittee noting that there would be a report given to the full Committee on a monthly basis. The Chairman further stated that all Committee Members were invited to make recommendations to the subcommittee.

Mr. Schedler presented a brief report on the economic activity over the last 30 days, passed out a synopsis of the report to Committee Members and explained the review.

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

The Secretary informed the Committee that there was one (1) Survivorship Option to be approved, pending a favorable medical opinion from the CTA Medical Department. On a motion by Mr. Thomas, seconded by Mr. Jania, the Committee unanimously approved the Survivorship Options as presented.

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

The Secretary presented twenty-four (24) Retirement Applications for approval, which included a request that the application for Michael F. Castiglione be made retroactive to March 1, 1985. On a motion by Mr. Gresham, seconded by Mr. Perk, the Committee unanimously approved the Retirement Applications, including the March 1, 1985 retroactive retirement for Michael F. Castiglione.

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

The Secretary presented fourteen (14) Refunds of Contributions, totaling $141,348.18, for approval. The comparison figures for the same period of time one year ago were, fourteen (14) Refunds, totaling $126,357.43. On a motion by Mr. Flowers, seconded by Mr. Nagle, the Committee unanimously approved the Refunds of Contributions to be paid March 31, 1985.

The Secretary turned the Committee's attention to the Trustee Summary and presented the report of Deposits, Disbursements and Investments noting that the total portfolio has a market value of $608,368,679.59 at a cost of $567,191,461.98. The Secretary asked Mr. J. Mullen to present a report on the repayment of the Certificate of Indebtedness owed by the Authority to the Plan. Mr. Mullen noted that the figure shown under employer contributions represented the principal payments made by the Authority and were for the months of January and February. He further noted that a monthly payment of $705,829.38 is to be made hereafter. The Secretary interjected that repayment is to be made in 36 equal monthly installments with interest to be paid in June and December.

The Secretary reported that there was one (1) Chicago Transit Authority bill, totaling $36,065.28; nineteen (19) Operating bills, totaling $59,283.33; nine (9) Remittances, totaling $420,896.45; and the FIT Deposit, totaling $102,587.90, to be approved for payment. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the bills and remittances to be paid March 31, 1985.

The Secretary presented for approval twenty-five (25) Death Benefits, totaling $47,000.00. The comparison figures for the same period of time one year ago were thirty-three (33) Death Benefits, totaling $79,000.00. On a motion by Mr. Thomas, seconded by Mr. Kasmer, the Committee unanimously approved payment of the Death Benefits.

The Secretary informed the Committee that Arnold Caldwell elected to deny a Pre-Retirement Surviving Spouse Allowance.

The Secretary informed the Committee that it was necessary to appoint two members to sign documents in the absence of the Chairman. Messrs. E. Flowers and E. Gresham were recommended. On a motion by Mr. Nagle, seconded by Mr. Andersen, the Committee unanimously appointed Messrs. E. Flowers and E. Gresham to sign in the absence of the Chairman.

The Secretary turned the Committee's attention to a group of four individuals: Steven T. Bubacz, Nancy A. Egan, Bonnie M. Walker, and James W. Williams, all of whom have been on lay-off status in excess of three years. The Secretary noted that his office would be corresponding with the Authority to find out the status of these individuals and will report back to the Committee. Mr. Perk noted that these individuals were caught in a time frame when there is no hiring or recalling being done and asked what effect this would have on these individuals. At the request of the Chairman, the Plan Attorney addressed the issue noting that the Committee would have to pass upon whether they wanted to extend the time frame procedure. A discussion ensued between Committee Members during which a motion to extend for 60 days the lay-off time frame procedure for the aforementioned individuals was made by Mr. Perk, seconded by Mr. Flowers, and unanimously approved by the Committee.

Mr. Morris asked what the status regarding the Committee's Fiduciary Liability coverage was in light of the problems the Deferred Compensation organization was undergoing. The Chairman asked the Plan Attorney to look into the matter and report back to the Committee.

There being no further business, on a motion by Mr. Nagle, seconded by Mr. Flowers, the Committee unanimously agreed to adjourn at 12:15 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED ______________________________