

AGENDA

FOR THE 468TH RETIREMENT MEETING OF DECEMBER 21, 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 467th Meeting held November 16, 1987.
3. Approval of the Minutes of the Special Meeting held October 27, 1987.
4. Report by Trustee.
5. SEI report on 3rd Quarter, 1987 by Mr. J. Marco.
6. 3rd Quarter, 1987 Direct Real Estate report by Dr. Zerbst.
7. 3rd Quarter, 1987 Indirect Real Estate report by Barbara Cambon.
8. Review of proposed new indirect Real Estate investment by Barbara Cambon.
9. Institutional Property Consultants, Inc. real estate consultant proposal.
10. Announcement of deaths reported since the last meeting.
11. Presentation of Survivorship Options.
12. Announcement of Pre-Retirement Surviving Spouse Allowance.
13. Presentation of new retirement applications for approval.
14. Employees on Disability Retirement re-examined.
15. Presentation of Refunds of Contributions to be paid December 31, 1987.
16. Presentation of Bills and Remittances.
17. Death Benefits for approval.
18. Report by Secretary of Deposits, Disbursements and Investments.
 - a) Report on payment on the Certificate of Indebtedness for 1981 Employer Contributions.
 - b) Report on results of asset allocation model.

- c) Report on commission direction.
- d) Report on the Jeffrey Manor real estate investment.

19. Unfinished Business

- a) Pension office salary proposal.

20. New Business

- a) Jesse Howard - D-2424 - returned to duty 11-9-87.
- b) Penny Wilson - D-2400 - returned to duty 11-16-87.
- c) Thirteen month period to repay refund of contributions and interest expires - recommendation that the following be granted a 30-day grace period.

Name & Badge No.	13 Month Period Expires	Entered Service Date	Amount Due
Donald Bullock	12/23/87	3/10/72	\$13,893.01

- d) Assignment of new pension seniority date for Evert Holmes. Thirty day extension to repay refund of \$13,824.29 expired 11-30-87. New seniority date for pension purposes only 9-30-86.
- e) Assignment of new pension seniority date for Ronald Wardlow. Thirty day extension to repay refund of \$12,793.65 expired 12-6-87. New seniority date for pension purposes only 10-8-86.

21. Adjournment

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 468th Meeting of the Retirement Allowance Committee was held Monday, December 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	Mr. G. Nagle
	Mr. D. Perk
	Ms. V. Wendorf

Alternates H. Williams, who sat in Mr. Thomas's stead, L. Morris, H. Hegarty and H. Reed, who sat in Ms. Black's stead, were present. Alternates L. Brown, who sat in A. Kasmer's stead and A. Curtis, who sat in Ms. Hughes's stead, were also present. Messrs. J. Mullen, R. Pirovano, and Ms. P. Ware 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, Inc. was also present. Dr. R. Zerbst of Piedmont Realty Advisors was present. Mr. J. Baratka of the Wyatt Company was present. Mr. T. Paravola of the Plan Attorney's office was also present.

- (1) The Chairman called the Meeting to order at 9:43 A.M.
- (2) On the call for approval of the Minutes of the 467th Meeting, held November 16, 1987, Mr. Brown made a motion for approval, Mr. Flowers seconded; on the question, the Secretary

noted that on Page 4 of the Minutes the item regarding the modified unconstrained asset allocation model did not include the motion to adopt the model which was approved by the Committee. He further noted that this correction would be made and distributed to the Committee. Subject to this correction, the Committee unanimously approved the motion for approval of the Minutes.

(3) The Chairman asked for approval of the Minutes of the Special Meeting held October 27, 1987. On a motion by Mr. Brown, seconded by Mr. Flowers, the Committee unanimously approved the Minutes of the Special meeting held October 27, 1987.

(4) Ms. Sarah 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.

(5) Mr. J. Marco of SEI presented a report on the performance results of the Fund for the 3rd Quarter 1987. The Secretary noted that this report was requested by the Committee in July, 1987 on a one quarter only trial basis. The Committee directed the Secretary to request a fee proposal from SEI specifying their asset allocation services and real estate performance monitoring services.

(6) Dr. Robert Zerbst of Piedmont Realty Advisors presented the Direct Real Estate Operating Report for the quarter ending

September 30, 1987. With regard to the 635 Remington Road building at the Woodfield Business Center, Dr. Zerbst reported that during the audit process of the recently bankrupt tenant, Facility System, Inc., it was discovered that the property manager, Great West Life, failed to collect some reimbursable expenses. He further noted that the property management contract with Great West Life was terminated, and that he and the Plan Attorney were pursuing the collection of some \$100,000.00. Dr. Zerbst reported that the Jeffrey Manor Investment was scheduled for closing in February, 1988, and responded to questions regarding this property.

(7) Ms. Barbara Cambon of Institutional Property Consultants, Inc. presented the Real Estate Portfolio Report dated September 30, 1987. She reported that a RREEF Fund property, which was a retail shopping mall located in the greater Denver area, was undergoing a major renovation when asbestos was discovered. The total cost of removal and lost income amounted to \$17.9 million of which \$15 million was written off to income in the quarter. She noted that some of this expense may be recoverable from other parties involved in the development and environmental inspection of this property. Mr. Clark suggested that recovery of these expenses be aggressively pursued. Ms. Cambon indicated that she would find out how RREEF management intended to pursue recovery and report back to the Committee. The Chairman asked that Plan Counsel review

this and report back to the Committee. Ms. Cambon reported that her firm was in the process of performing an in depth review of the Wachovia Real Estate fund for presentation at next quarter's meeting.

(8) Ms. Cambon presented a new proposed indirect real estate investment called the FS Realty/Paragon Partnership, and recommended that the Committee consider an investment in this fund in the amount of \$5 to \$10 million. The Chairman asked that a decision on this investment be deferred until the next meeting and that the Plan Attorney review this investment. Ms. Cambon indicated she would ask FS Realty to attend the next meeting and also indicated she would put together an additional information packet for distribution to the Committee prior to next month's meeting.

(9) The Chairman asked that item #9 be held in abeyance until the next meeting.

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

(11) The Secretary noted that the presentation of the Survivorship Options will henceforth be included with the Retirement Applications as prospective retirees no longer have to apply for an option 6 months in advance of retirement as a result of a change made in the most recent collective bargaining agreement.

(12) The Secretary reported that there were no Pre-Retirement Surviving Spouse Allowances for announcement at this meeting.

(13) The Secretary presented seventy-one (71) Retirement Applications for approval, including a request for retroactivity for Mr. Robert O'Connor's application to 12-1-87 as his application was received late due to the timing of his termination by the Authority. On a motion by Mr. Brown, seconded by Mr. Nagle, the Committee unanimously approved the Retirement Applications as presented including the retroactive application for Mr. Robert O'Connor.

(14) The Secretary informed the Committee that twenty-one (21) employees who are presently receiving Disability Retirement benefits were examined or had their files reviewed.

(15) The Secretary presented twenty-three (23) Refunds of Contributions, totaling \$153,862.70 for approval. On a motion by Mr. Reed, seconded by Mr. Williams, the Committee unanimously approved the Refunds of Contributions to be paid December 31, 1987.

(16) The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling \$38,415.85, fourteen (14) Operating Bills, totaling \$118,072.04; ten (10) Remittances,

totaling \$427,730.08; and the 2nd month, fourth quarter 1987 FIT Deposit, totaling \$186,447.63. On a motion by Mr. Williams, seconded by Mr. Reed, the Committee unanimously approved the Bills and Remittances, totaling \$770,665.60 to be paid December 31, 1987.

(17) The Secretary presented for approval twenty-nine (29) Death Benefits, totaling \$82,500.00. On a motion by Mr. Williams, seconded by Mr. Brown, the Committee unanimously approved the Death Benefits to be paid December 31, 1987.

(18) The Secretary turned the Committee's attention to the Report on Deposits, Disbursement and Investments in the Trustee Summary and noted that the November, 1987 rate of return for the Fund was -5.39% and the market value of the total assets of the Plan as of November 30, 1987 was \$689,674,616.37.

(18a) Mr. J. Mullen then presented a report on the Certificate of Indebtedness noting that payment from the Authority had been received on November 30, 1987, in the amount of \$1,469,285.37 representing the balance of principal and interest due. He also noted that the balance had been paid off one month early.

(18b) Mr. Mullen presented a report prepared by The Boston Company on the modified unconstrained allocation model dated

December 17, 1987 which indicated the monthly allocations and the performance of the target versus the portfolio. He also presented a staff report which indicated the inception to date performance for the target was -19.95% and the portfolio was also -19.95%. The report also indentified that the asset allocation account was funded with a total of \$68,721.212.00 in late August, 1987 and had a market value of \$67,996,626.00 as of December 18, 1987. Ms. Wendorf requested that all allocation changes be identified on subsequent reports.

(18c) Mr. Mullen presented a report entitled Directed Commissions 3rd Quarter 1987 which identified the total commissions generated by the new equity managers and the amounts that were directed to Wilshire and Chicago or minority brokers. Mr. Nagle then referrenced a letter dated December 8, 1987 from Ned Joachimi which indicated that the Wellesley Group Inc. formed an affiliate called Wellesley Resources Inc. which has been registered as a broker/dealer with the National Association of Security Dealers. The letter further indicated that a clearing arrangement was established with Bear, Stearns & Co. for the purpose of providing greater flexibility in maximizing commission dollar direction. The Committee directed the Secretary to ask Mr. Joachimi to explain why Wellesley Resources Inc. was formed and whether it has the ability to execute trades. Mr. Clark stated that he was employed by Bear, Stearns & Co. and indicated that he would decline to

vote on the issue of the Plan managers' use of Bear, Stearns & Co. to execute trades, and requested that Plan Counsel advise regarding this situation.

(18d) The Secretary reported that a poll of the Committee was taken on the issue of restructuring the Plan's ownership position in Jeffrey Manor to a purchase of an interest in the partnership that owns the property rather than a purchase of the property directly. This restructuring was recommended by Plan Counsel and Piedmont Realty Advisors. The poll resulted in approval of the recommended restructuring.

The Secretary also noted for the record that Mr. Kasmer did not attend the International Foundation of Employee Benefit Plans seminar for which the committee granted approval at the last meeting.

Mr. Mullen presented a report on the performance of the Europe, Australia, and Far East index for the last 1, 3, & 5 year periods.

The Secretary requested approval to order 5000 copies of a booklet explaining medicare benefits for distribution to retirees at a cost of \$3,150.00 plus handling and delivery. On a motion by Mr. Clark seconded by the Secretary, the Committee unanimously approved the purchase of the booklets.

The Secretary referenced a letter dated November 19, 1987 received from Furman Selz which indicated that they were holding 21.9% cash and the reasons for that. The Secretary noted that the investment manager agreement requires that the manager be an average of 94% invested in equities or explain in writing why they are not "fully invested". Mr. Mullen noted that this manager was holding 18% cash as of December 17, 1987.

(19a) The Secretary reported that the subcommittee on Pension Personnel had agreed to recommend that the Committee adopt the following procedures shifting the accountability of the Executive Secretary's Office from the Authority to the Committee.

- o That the Executive Secretary report only to the Chairman and the Committee. The Committee will suggest that the Authority consider removing the Pension Department from the CTA organizational chart. That the performance evaluation process of CTA employees in Pensions also be removed from the Authority's jurisdiction.

- o That in accordance with the provisions of Section 5.7 of the Retirement Plan, employees working in the Executive Secretary's Office retain and enjoy all rights, privileges, service, earning credits and benefits, including bidding rights on positions with the Authority. This means that benefits and other provisions in effect for CTA union and exempt employees will also be in effect for union and exempt employees respectively, in the Executive Secretary's Office. This would include but not be limited to the following: Vacation, Holiday, Insurance, Sick Plan, Injury on Duty, Pension Benefits including supplemental retirement if applicable, counseling programs, and riding pass.

- o That the Committee will make decisions about the employment of personnel in the Pension Section,

but, incidental to the decision making process, may make use of the Authority's Personnel Administration Department.

- o That all other aspects of the relationship between the Pension Department and the Authority will remain unchanged, and services commonly provided by the CTA in the past will continue to be provided. Examples here include payroll services, intercompany mail service, Personnel Maintenance System link-up, reproduction facilities, CTA bulletins and job postings, telephone extension link-up and directory service, insertion of pension notices in the Authority's paychecks, etc. All costs in connection with these services which have heretofore been borne by the Committee will continue to be borne by the Committee.

- o That the Executive Secretary will present a report on the status of the Retirement Plan annually to the Chicago Transit Board.

- o With regard to the Union Personnel in the Pension Office, provisions of the collective bargaining agreement will continue to apply. There are currently four Union Personnel employed in the Pension Department. The position of Steno II, which was only recently changed from union to exempt will revert back to a union position.

- o That the Executive Secretary is accountable to the Chairman or Vice Chairman with regard to routine office administrative matters.

- o That the Chairman of the Committee, or at his discretion, a subcommittee of the Committee, conduct the performance evaluations of the Executive Secretary. The Executive Secretary will be responsible for the performance evaluations of the exempt employees in the Pension Department subject to approval by the Chairman. The following procedures will apply:
 - (a) The evaluations be conducted once a year in time for presentation at the November Retirement Allowance Committee meeting. Also, any pay increases be effective November 1st of each

year.

- (b) The Chairman or a subcommittee conduct the performance evaluation of the Executive Secretary.
- (c) The Executive Secretary conduct the performance evaluations of the Supervisor, Finance and Investments, and the Supervisor, Pensions and Administration and review same with the Chairman of the subcommittee.
- (d) The performance evaluations for the rest of the exempt staff be conducted by the Supervisors and reviewed with the Executive Secretary. The Executive Secretary would then review with the Chairman.

On a motion by Mr. Perk, seconded by Mr. Clark, the Committee unanimously approved adoption of the foregoing procedures. The Secretary noted that he would ask Plan Counsel to prepare a letter of understanding for signature by the Authority and Committee.

(20a) The Secretary informed the Committee that Jesse Howard, D-2424 returned to duty on November 9, 1987.

(20b) The Secretary also informed the Committee that Penny Wilson, D-2400 also returned to duty as of on November 16, 1987.

(20c) The Secretary recommended that a 30 day grace period for Donald Bullock to repay his refund of contributions and

interest be granted. On a motion by the Secretary, seconded by Mr. Flowers, the Committee unanimously approved a 30 day grace period for the above named employee to repay his refund of contributions and interest.

(20d) Mr. Flowers moved that Mr. Evert Holmes be allowed an additional 30 days for repayment of his refund. Mr. Clark seconded, and the Committee unanimously approved. After further discussion, Mr. Perk moved that the previous motion be reconsidered, Ms. Wendorf seconded and the Committee unanimously approved. Ms. Wendorf moved that Mr. Holmes be assigned a new pension seniority date of September 30, 1986 with the understanding that if Plan Counsel determines that a further extension under Rule 21 is permissible, then Mr. Holmes be granted such an extension of 15 days after contact with the Plan Attorney is made, Mr. Clark seconded and the Committee approved. Mr. Perk abstained.

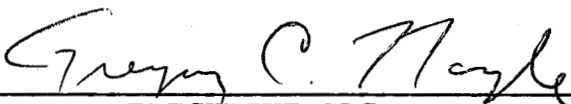
(20e) The Secretary then recommended that the Committee assign a new pension seniority date for Ronald Wardlow whose 30 day extension to repay a refund of \$12,793.65 expired December 6, 1987. On a motion by the Secretary, seconded by Mr. Reed, the Committee approved a new pension seniority date of October 8, 1986 for Ronald Wardlow. Mr. Perk voted nay.

Mr. Flowers brought to the Committee's attention the case of McKinley Holmes who was short approximately 7 months of

service for a disability pension. Mr. Paravola stated that Mr. Burke reviewed this case and it was his determination that Mr. Holmes did not qualify for disability pension unless he returned to work for a short period.

Mr. Hegarty inquired as to the status of the issue of service credits for people over age 65. The Chairman stated that he brought this to the attention of Local 241 Counsel for further review with the Authority, and that he would continue pursuing the resolution of this issue.

The Committee meeting was adjourned by a motion from Mr. Morris, seconded Mr. Nagle at 2:15 p.m.



EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATE