

AGENDA

FOR THE 470TH RETIREMENT MEETING OF FEBRUARY 16, 1988

1. Meeting will be called to order at 9:30 a.m., Grant Park Room, River Level, Nikko Hotel.
2. Approval of the Minutes of the 469th Meeting held January 19, 1988.
3. Report by Trustee, including a report on the cash management account.
4. Review of 4th Quarter 1987 report -- Wellesley Group.
5. Discussion of an International Equity Allocation -- Wellesley Group.
6. Report on asset allocation services - Wellesley Group.
7. Announcement of deaths reported since the last meeting.
8. Announcement of Pre-Retirement Surviving Spouse Allowances.
9. Presentation of new retirement applications for approval.
 - a) Leo A. Stern -- retroactive to 02-01-88.
10. Employees on Disability Retirement re-examined.
11. Presentation of Refunds of Contributions to be paid February 29, 1988.
12. Presentation of Bills and Remittances.
13. Death Benefits for approval.
14. Report by Secretary of Deposits, Disbursements and Investments.
 - a) Report on results of the asset allocation model.
15. Unfinished Business
 - a) Pension office salary proposal.
 - b) Assignment of new pension seniority date for Donald Bullock. Thirty day extension to repay refund of \$13,893.01 expired 01-22-88. New seniority date for pension purposes only -- 11-24-86.

- c) James Barlow - D-2401 - found fit to return to duty as bus operator on 10-22-87. Not put back to work because he tested positive for cocaine. Pension terminated in accordance with Section 12.5 of Plan.
- d) Institutional Property Consultants -- offer to continue providing the real estate report on a quarter to quarter basis at a fee of \$7,500 per quarter.
- e) Security Capital Real Estate Fund ownership change -- report by Plan Attorney.

16. New Business

- a) Walter H. Bailey revoked his B-1/2 Survivorship Option which was to have become effective on 02-01-88.
- b) Louise P. Brown revoked her application for retirement which was to have become effective on 02-01-88.
- c) Report on the acquisition of Capital Supervisors, Inc. by the Prudential Asset Management Company. Robert Streed and Douglas Steger.
- d) IFE Seminar on International Investing
- e) Request for approval to attend NCPERS conference in Chicago - James Mullen and Gregory Nagle.

17. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 470th Meeting of the Retirement Allowance Committee was held Tuesday, February 16, 1988 at 9:30 A.M., in the Grant Park Room - River Level, Hotel Nikko. The following were in attendance:

Mr. E. Flowers	Mr. G. Nagle, Secretary
Mr. E. Gresham, Chairman	Mr. D. Perk, Vice Chairman
Mr. A. Kasmer, Jr.	
Mr. I. Thomas	

Mr. H. Reed sat in Ms. W. Black's stead. Ms. A. Curtis sat in Mr. W. Clark's stead. Alternates L. Morris, H. Williams and H. Hegarty were present. Mr. C. Knox was present. Messrs. J. Mullen, R. Pirovano and Ms. P. Williams of the Pension Office staff were present. Messrs. F. Duda and C. Coleman of the Harris Trust and Savings Bank were present. Messrs. R. Streed and D. Steger of Capital Supervisors, Inc. were present. Messrs. N. Joachimi and J. Prime of the Wellesley Group, Inc. were present. Mr. R. Burke, Plan Attorney was present. Mr. B. Scholz, pensioner representative was also present.

- (1) The Chairman called the meeting to order at 9: 45 A.M.
- (2) On the call for approval of the Minutes of the 469th meeting, held January 19, 1988, Mr. Kasmer made a motion for approval, and Mr. Perk seconded. On the question, Mr. Thomas noted that item 15(c) in the Minutes on the bottom of page 6

omitted the name of the property referenced. The Secretary noted that the master copy of the minutes would be corrected. For the record, the property is the Southglenn Mall in Denver, Colorado. The Committee unanimously approved the minutes as corrected.

(3) Mr. Fred Duda 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. He then presented a report dated February 16, 1988 on the performance of the cash management account. Mr. Duda then presented a proposed revision to the cash management investment guidelines which would allow for the purchase of GIC's and dollar denominated commercial paper issued by non-U.S. domiciled corporations rated A1P1 to allow more flexibility in structuring the portfolio. Any security purchased would qualify under the Plan's Sullivan Signatory restriction. He also proposed that the portfolio return benchmark be changed to the Harris Investment Reserve Fund plus 50 basis points net of fees achieved over 2 to 3 year intervals. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved adoption of the revised guidelines as proposed by Mr. Duda (copy of guidelines attached to these minutes).

(4) Mr. Jon Prime of the Wellesley Group presented the 4th Quarter Investment Management Evaluation Report dated December 31, 1987. He noted that the total fund return for 1987, which

the report indicates to be 5.3%, is being reviewed for possible error. The Secretary noted that the return for 1987 as reported by Financial Controls is 1.9%.

(5) The Secretary reviewed the Committee's decisions with regard to international equities, stating that a 10% allocation to international equities was adopted in September of 1987, but that that decision was reversed in November of 1987 when the issue of a South Africa restriction could not be resolved. The Committee authorized the Secretary to place the subject on the agenda for today's meeting in order that the most recent decision on this issue could be reviewed.

Mr. Joachimi presented a report entitled "International - The Best of Both Worlds?" which reviewed the arguments in favor of an international equity allocation for pension fund investors. Mr. Perk inquired about the Committee's fiduciary obligation to adopt an international equity allocation in view of the high returns in relation to the S&P 500 that the report indicates. Mr. Joachimi suggested that that question could more properly be addressed by the Plan Counsel, at a later meeting. This item was held for further discussion at the next meeting.

(6) Mr. Joachimi reported that there are four or five major service providers in the area of tactical asset allocation and that his firm reviewed all these companies before concluding that

the Boston Company's program was the one they felt most comfortable in recommending.

Mr. Joachimi also reported that he had been asked to look into a leverage buyout investment offering, but instead suggested that if it was the Committee's pleasure, his firm would conduct a study of the venture capital asset class in general and discuss his finding with the Committee at a later date. The Committee directed Mr. Joachimi to do the analysis.

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

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

(9) The Secretary presented twenty-six (26) Retirement Applications for approval, including three requests for retroactivity supported by memorandums received from the respective managers for each of the 3 employees. Mr. Leo A. Stern's request for retroactivity to 2/1/88 sited a clerical oversight and poor communication. Mr. John E. O'Brien's request for retroactivity to 2/1/88 sited a misunderstanding of retirement application procedures. Mr. Oscar Ramsey's application for 2/1/88 retirement was approved at the last meeting, however, subsequently a request for retroactivity to 1/1/88 stating that Mr. Ramsey was not properly informed was received. The Secretary moved that

the applications and retroactivity requests be approved, Mr. Perk seconded, and the Committee unanimously approved.

(10) The Secretary reported that the report on employees on disability retirement re-examined was inadvertently omitted from the handouts and would be covered on the next month's agenda.

(11) The Secretary presented fourteen (14) Refunds of Contributions totaling \$89,129.13 for approval. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the Refunds of Contributions to be paid February 29, 1988.

(12) The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling \$36,412.48, twenty-three (23) Operating Bills, totaling \$45,287.89, nine (9) Remittances, totaling \$480,769.61 and the FIT Deposit, totaling \$199,521.51. On a motion by Mr. Perk, seconded by Mr. Morris, the Committee unanimously approved the Bills and Remittances, totaling \$761,991.49.

(13) The Secretary presented for approval thirty-three (33) Death Benefits, totaling \$106,500.00. On a motion by Mr. Morris, seconded by the Secretary, the Committee unanimously approved the Death Benefits to be paid February 29, 1988.

(14) The Secretary turned the Committee's attention to the Report on Deposits, Disbursements and Investments in the Trustee Summary and noted that the January, 1988 combined performance for

the Fund was +3.15% and the market value of the total assets of the Plan as of January 31, 1988 was \$761.5 million.

(14a) Mr. Mullen presented a report on the results of the asset allocation model which indicated that the inception to date (thru 1/31/88) performance for the target was -14.92% and the Boston Company model was -13.69%. The report also identified the asset allocation changes since inception and indicated that the market value of the Boston Company account was \$74,146,232 as of January 31, 1988.

The Secretary reported that requests for proposals for the position of real estate consultant were sent to some 16 firms with a response deadline of February 20, 1988. The proposals would be provided to the Committee Members prior to the scheduling of any presentations.

In regard to the status of the pre-retirement program, the Secretary reported that the CTA had not done any investigation on whether such a program might be financed by Authority funds to date. The Secretary suggested that if the Committee submit a specific proposed program to the Authority, then the Authority would be better able to respond to the Committee's request that they consider financing the cost. Mr. Perk moved that the Secretary use his own judgement in putting together a proposed program to be supported either by the Authority or the Fund. Mr. Thomas seconded, and the Committee unanimously approved.

(15a) The Chairman requested that the Committee go into executive session for this item. Mr. Thomas moved that the recommendation of the subcommittee on pension personnel be accepted. The recommendation is as follows:

- Russ Pirovano's title be changed to Pension Benefit Administration Officer with a designated level of 16 and his salary be adjusted in the amount of \$5,500; from \$41,300 to \$46,800.
- Jim Mullen's title be changed to Pension Finance and Investments Officer with a designated level of 16 and his salary be adjusted in the amount of \$5,500; from \$38,800 to \$44,300.
- That increases be granted to the other exempt employees in the Pension Department in accordance with their individual performance evaluations as follows:
 - Ray Carson: 6% increase of \$2,000; from \$33,900 to \$35,900.
 - Dorothy Etscheid: 7% increase of \$2,400; from \$34,200 to \$36,600.
 - Jim Gates: 5% increase of \$1,400; from \$28,600 to \$30,000.
 - Wayne Ross: 7% increase of \$2,400; from \$34,800 to 37,200.
- That Pam Williams be given the Steno II position in the Pension Office which is a Grade 6.

- That all adjustments be made effective November 1, 1987. Mr. Perk seconded Mr. Thomas' motion and the Committee unanimously approved.

(15b) The Secretary recommended that the Committee assign a new pension seniority date for Donald Bullock whose thirty day extension to repay a refund of \$13,893.01 expired 1/22/88. On a motion by the Secretary, seconded by Mr. Kasmer, the Committee unanimously approved a new pension seniority date of 11/24/86 for Mr. Bullock.

(15c) The Secretary reported disability retiree, James Barlow, who was found fit to return to duty as a bus operator on 10/27/88, was not put back to work because he tested positive for cocaine. His pension was terminated in accordance with Section 12.5 of the Plan.

(15d) Mr. Kasmer moved that the Committee retain the services of Barbara Cambon's firm, Institutional Property Consultants, to continue providing the real estate report on a quarter to quarter basis as needed at a fee of \$7,500 per quarter. Mr. Perk seconded the motion and the Committee unanimously approved.

(15e) The Plan Attorney reported that an agreement had been reached whereby the in-house management team would assume ownership of the company which manages the Security Capital Real Estate Fund. He noted that in his review of the transaction, he

found nothing amiss that the Committee should be aware of. He further noted that there would be no change in the personnel managing the fund.

(16a) The Secretary reported that Mr. Walter H. Bailey revoked his B-1/2 Survivorship Option which was to have become effective on 2/1/88.

(16b) The Secretary reported that Louise P. Brown revoked her application for retirement which was to have become effective on 2/1/88.

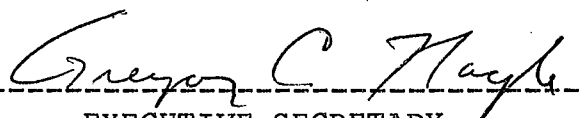
(16c) Messrs. Robert Streed and Douglas Steger of Capital Supervisors, Inc. presented a report to the Committee pending acquisition of their firm by the Prudential Asset Management Company. They noted that Capital Supervisors will act as an independent subsidiary of Prudential Asset Management Company and there would be no management changes, office location change, or change in investment philosophy. They further noted that same individuals would service our account and that the key employees of the firm have been incentivized to remain in the employment of Capital Supervisors for five years. The Wellesley Group indicated that since the investment style and the management group would remain intact, there is no reason to make any change, however, they would follow the continuity of style and management very closely and keep the Committee advised of

any variance.


(16d) The Secretary then turned the Committee's attention to the IFE Seminar on international investing. He referenced a letter from the Institute for Fiduciary Education regarding their annual seminar which is to be held in Tokyo, Japan on May 6-14. He noted that one Committee member was invited to attend this all expenses paid seminar. Messrs. Thomas and Perk both indicated an interest in attending. The Chairman directed the Secretary to see if arrangements could be made to accomodate both requests.

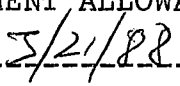
(16e) The Secretary then requested approval for himself and James Mullen to attend the NCPERS conference to be held in April in Chicago at a registration fee of \$150.00 per person. On a motion by Mr. Thomas, seconded by Mr. Reed, the Committee unanimously approved that the Secretary and James Mullen attend the NCPERS conference in Chicago.

(17) The Committee unanimously approved a motion to adjourn at 1:35 P.M.



EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE


DATE