

A G E N D A

FOR THE 446TH RETIREMENT MEETING OF FEBRUARY 18, 1986

1. Meeting will be called to order at 10:30 A.M., Merchants' Room, 14th Floor, Holiday Inn Mart Plaza.
2. Approval of the Minutes of the 445th Meeting held January 21, 1986.
3. 4th Quarter 1985 Report by Robert Moseson and Les Golembo.
4. 4th Quarter 1985 Direct Real Estate Report, Report on Appraisals, and Presentation of a New Direct Investment by Dr. Robert Zerbst.
5. Report by Trustee.
6. Announcement of Deaths Reported since the last Meeting.
7. Presentation of Survivorship Options.
8. Announcement of Pre-Retirement Surviving Spouse Allowances.
9. Presentation of New Retirement Applications for Approval.
 - (a) John F. Lowery - Disability Retirement - Retro to 2-1-86.
10. Employees on Disability Retirement re-examined.
11. Presentation of Refunds of Contributions to be paid February 28, 1986.
12. Report by Secretary of Deposits, Disbursements and Investments.
 - (a) Report on Payment on the Certificate of Indebtedness for 1981 Employer Contributions.
 - (b) Report on Price to Book Ratio of the S&P 400
13. Presentation of Bills and Remittances.
14. Death Benefits for Approval.
15. Unfinished Business.
 - (a) Ex-Security Department Employees:
 - (1) To be Terminated Under Rule No. 26

<u>Name</u>	<u>Badge Number</u>
George B. Evans	17899
Fernand L. Fortier	15593
Michael Hogan	21438
Charles Keegan	15830
Raleigh Mathis	19259
James W. LaFollette	17909
William O'Brien	18525
Richard Pollizze	17904

15. Unfinished Business - (Continued)

(2) To be Deferred Pending Reinstatement.

<u>Name</u>	<u>Badge Number</u>
James J. Lavin	15645
Paul S. Wallace	15789

(3) To be Deferred Pending Outcome of Litigation .

Timothy V. O'Mahoney	17927
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16. New Business.

- (a) Theodore Carter - D-2141. Returned to duty 1-22-86.
- (b) Non-payment by CTA of 3% employer contributions on the \$600 lump sum payments to employees.
- (c) 30-day extension for payment of contribution refund - expires 2-21-86.

<u>Name</u>	<u>Reinstatement Date</u>	<u>Entered Service Date</u>	<u>Amount</u>
Melvin P. Drane	12-20-84	12-19-68	\$13,762.77

17. Adjournment.

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 446th Meeting of the Retirement Allowance Committee was held Tuesday, February 18, 1986, in the Merchants' Room, 14th Floor, Holiday Inn Mart Plaza. The following were in attendance:

Mr. C. Andersen	Mr. A. Kasmer
Ms. W. Black	Mr. G. Nagle
Mr. E. Flowers	Mr. D. Perk
Mr. J. Gallagher	Mr. I. Thomas
Mr. E. Gresham	

The Secretary noted that Mr. R. Jania was sitting in Mr. R. Andrzejewski's stead. Messrs. L. Brown, H. Hegarty, H. Williams, R. O'Connor, and L. Morris were present. Mr. J. Mullen, Ms. P. Williams, and Ms. C. Cox were present. Mr. W. Ashley was also present. Mr. C. Coleman of the Harris Trust and Savings Bank was present. Mr. J. Baratka of The Wyatt Company was present. Mr. R. Burke, the Plan Attorney, was present. Mr. L. Golembo of Performance Analytics, Inc. was present. Mr. S. Grant of Piedmont Realty Advisors was present. Mr. B. Scholz, pensioner representative, was also present.

The Chairman called the Meeting to order at 10:44 A.M.

The Chairman called for approval of the Minutes of the 445th Meeting held Tuesday, January 21, 1986. The Secretary noted that there was a change on Page 3, third paragraph, stating that the word "removed" should be changed to "approved" and asked

the Committee to make this change in their copy of the Minutes. On a motion by Mr. Kasmer, seconded by Mr. Thomas, the Committee unanimously approved the Minutes of the 445th Meeting, as amended.

Mr. L. Golembo of Performance Analytics, Inc. presented the 4th Quarter 1985 Report on the investment performance of the Retirement Plan.

Mr. S. Grant of Piedmont Realty Advisors turned the Committee's attention to a letter, dated February 5, 1986, presenting a proposal from Marquette Properties to construct 100 covered parking spaces at the Country Lake Apartments at a cost of \$250,000. He further noted that Piedmont Realty Advisors had reviewed this request and concurs with Marquette's judgment and, therefore, recommended that the Committee approve this additional investment of \$250,000 at Country Lakes Apartments in Naperville, Illinois. On a motion by Mr. Kasmer, seconded by Mr. Perk, the Committee unanimously approved the \$250,000 loan for construction of the car ports.

The Chairman then stated that in the future all real estate proposals be presented to the Real Estate Subcommittee prior to presentation to the full Committee. The Chairman named Messrs. D. Perk, G. Nagle, E. Gresham, and E. Flowers to the Real Estate Subcommittee and further instructed the Secretary that all Retirement Allowance Committee Members should be invited to attend the Real Estate Subcommittee Meetings.

Mr. Grant then turned the Committee's attention

to a proposal known as Lincoln Property Company Development Partnership - Bannickburn, Illinois and explained to the Committee that the objective of the proposed transaction is to create a development partnership between Lincoln Property Company (the active development partner) and the Plan (the passive equity partner) to develop a three-story 174,000 square foot office building. This objective is achieved in two parts. The first part consists of first mortgage from the Plan to the existing landowners - L/P Partners (Aaron L. Lebedow and Ronald N. Paul). The second part consists of a three-year option to purchase the subject property given to Lincoln Property Company from L/P Partners. Lincoln will contribute the option to purchase the land and the Plan will commit to purchase the land (all or most of the required purchase price will come from the loan repayment), thereby forming a partnership.

It will be the development partnership which holds the option to purchase the property any time in the next three years for \$2,735,000. In order to receive the 36 year option the partnership must lend the existing owners of the property \$2,250,000 at 11% interest for 36 months. For legal reasons, the Plan's counsel advised that the loan be originated from the Plan and that the option be given to Lincoln Property Company. The mortgage which the Plan shall create will be collateralized by a first lien on the subject property and the personal assets of the existing landowners. A discussion ensued during which the Plan Attorney noted that the property was presently zoned for residential buildings and zoning for commercial building is being

applied for at this time. The Chairman stated that he would like the Committee to have more assurances that the property will, in fact, be rezoned commercial. Further, the Chairman expressed his concern about the nature of the collateral that the borrowers were jointly putting up noting that he did not feel that their assets would provide a real guarantee to the Committee. After further discussion, the Chairman asked for a motion that Piedmont Realty Advisors and Burke, Griffin go forward with the necessary negotiations and report back to the Real Estate Subcommittee with respect to these issues and if the Subcommittee was satisfied the Secretary poll the full Committee for approval of this proposal. On a motion by Mr. Nagle, seconded by Ms. Black, the Committee unanimously approved.

Mr. C. Coleman of the Harris Trust & Savings Bank presented the Trustee's Report on the activity in the market for the last 30-day period.

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

The Secretary informed the Committee that there were eleven (11) Survivorship Options for approval: including an option for Raymond Faye, pending receipt of Chicago Transit Authority medical approval; an option for William McCoy, pending receipt of a doctor's statement and Chicago Transit Authority medical approval; an option for Royal Reed, pending a doctor's statement and Chicago Transit Authority medical approval, and an option for Earnest Guidell, pending receipt of a doctor statement and Chicago Transit Authority medical approval. On a motion by

Mr. Flowers, seconded by Mr. Jania, the Committee unanimously approved the Survivorship Options including the aforementioned pending receipt of various documents.

The Secretary informed the Committee that there was one (1) Pre-Retirement Surviving Spouse Allowance to report which became effective January 1, 1986.

The Secretary presented twenty-five (25) new Retirement Applications for approval including an application for Willie Poole on which he asked Mr. Ashley to expound. Mr. Ashley explained the case to the Committee and noted that as a result of a decision handed down by the Industrial Commission Mr. Poole was to receive Disability Retirement benefits from February 1, 1984 to September 3, 1984. The Secretary also noted that also included was a February 1, 1986 retroactive Disability Retirement application for John F. Lowery. On a motion by Mr. Flowers, seconded by Mr. Kasmer, the Committee unanimously approved the new Retirement Applications as presented.

The Secretary reported that four (4) employees who are presently receiving Disability Retirement benefits were examined or had their file reviewed.

The Secretary presented eighteen (18) Refunds of Contributions for approval, totaling \$157,853.70. The comparison figures for the same period of time one year ago were sixteen (16) Refunds, totaling \$130,145.79. On a motion by Mr. Nagle, seconded by Messrs. Flowers and Gresham, the Committee unanimously approved the Refunds of Contributions to be paid February 28, 1986.

The Secretary turned the Committee's attention to the Trustee Summary noting that the portfolio had a market value of \$685,330,068.75.

At the Secretary's request, Mr. J. Mullen presented a report on the Certificate of Indebtedness noting that the December principal payment of \$705,829.38 and the December interest payment of \$489,342.80 was made by the Authority on January 7, 1986. Mr. Mullen further noted that the balance on the principal portion of the loan is \$16,939,905.15.

The Secretary informed the Committee that as of January 31 the level of the Price to Book ratio stood at 1.74, requiring a 50% equity allocation which is the Fund's present position.

The Secretary reported that there was one (1) Chicago Transit Authority bill, totaling \$49,308.49; fourteen (14) Operating bills, totaling \$16,058.42; ten (10) Remittances, totaling \$443,356.34; and the FIT Deposit, totaling 119,024.85, for approval. On a motion by Messrs. Kasmer and Perk, seconded by Mr. Thomas, the Committee unanimously approved payment of the Bills and Remittances, totaling \$627,748.10, to be paid February 28, 1986.

The Secretary presented for approval twenty-seven (27) Death Benefits, totaling \$88,500. The comparison figures for the same period of time one year ago were twenty-five (25) Death Benefits, totaling \$73,000. On a motion by Mr. Flowers, seconded by Mr. Thomas, the Committee unanimously approved payment of the Death Benefits.

In response to a request by the Chairman for an updated status report on ex-Security Department employees, the Plan Attorney stated that he sent a letter to the Secretary's Office recommending that the individuals named under Item 4(a) (1) on the agenda be terminated under Rule No. 26 since the litigation involving these individuals had been terminated. The Plan Attorney further recommended that the matter of James Lavin and Paul S. Wallace be deferred pending their possible acceptance of reinstatement. The Plan Attorney further recommended that the matter of Timothy O'Mahoney's appeal be deferred for six months pending the result of the litigation. The Secretary noted that J. LaFollette's name should be removed from the list as he returned to work on October 16, 1985. The Chairman then called for a motion for termination of those employees named under Item 14(a) (1) on the agenda according to Rule No. 26. Mr. Nagle made the motion, Mr. Kasmer seconded, the Committee unanimously approved.

The Secretary informed the Committee that Theodore Carter, who had been on disability retirement, had returned to duty.

The Chairman turned the Committee's attention to the next item on the agenda - the non-payment by CTA of 3% employer contributions on the \$600 lump sum payments to employees. A discussion ensued during which the Chairman asked the Plan Attorney to expound on the matter. The Plan Attorney stated that the Committee has fiduciary obligation to collect any monies owed by the CTA. After further discussion, the

Chairman entertained a motion to authorize the Plan Attorney to attempt to negotiate for payment of approximately \$217,000.00 owed by the CTA to the Plan and if unable to collect the monies file a lawsuit.

Mr. Perk made the motion, Ms. Black seconded, and the Committee unanimously approved. Further discussion ensued during which Mr. Perk noted that the CTA arbitrator had stated that the \$600 lump sum payment to employees was not subject to the 3% employer contributions. The Chairman then called for an amendment to the motion to have the Plan Attorney work with labor, management and the arbitrator to reach a decision that the Committee could follow and report back to the Committee. Mr. Perk, Ms. Black, and the Committee unanimously approved the amended motion.

The Secretary informed the Committee that Melvin Drane had not reimbursed his refunded contributions during the 30-day extension period granted by the Committee. On a motion by Mr. Nagle, seconded by Mr. Kasmer, the Committee unanimously agreed that Melvin Drane be given a new pension seniority date if payment was not received by February 21, 1986.

The Chairman informed the Committee that the Investment Subcommittee had met, however, was unable to reach an agreement in selecting an Investment Consultant for the Plan. He noted, however, that another meeting will be held within the next ten days when all information about both companies being considered can be presented and reviewed and in the event a decision is not reached it has been agreed that the matter be turned over to an arbitrator.

The Chairman brought to the Committee's attention a matter which was not on the agenda, the subject of the cash management of the \$200,000,000 in short term investments now being managed by the Harris Bank. He noted that it has been the Committee's policy for a number of years to try to keep as much business as possible in the Chicagoland area and, further, since 60% of the \$200,000,000 was being managed in a very straight forward discipline of 3 month, 6 month, 1 year and 2 year Treasuries he felt that other Chicago banks could participate in this type of investment strategy. A discussion ensued between Committee Members during which Mr. Flowers stated that he felt the idea was worth investigating. The Chairman appointed Messrs. Nagle, Perk and the Plan Attorney to investigate the feasibility of using several other Chicago banks to manage a part of the short term investment money in strategies identical to that of the Harris Bank.

The Secretary turned the Committee's attention to an additional item which had been placed on the agenda and asked Mr. Hegarty to expound. Mr. Hegarty stated that he had received a call from Richard Hargewood who had resigned and made application for a refund of his retirement contributions which ordinarily would be processed for next month's meeting. Due to some problems he is experiencing, Mr. Hargewood is asking that he receive his refund this month. The Secretary stated that Mr. Hargewood's Refund Application could be approved for the February payment pending audit. On a motion by Mr. Thomas, seconded by Mr. Kasmer, the Committee unanimously approved the

payment of Mr. Hargewood's Refund of Contributions pending audit.

There being no further business, on a motion by Mr. Thomas, seconded by Mr. Kasmer, the Committee unanimously agreed to adjourn at 1:09 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED _____