

AGENDA

FOR THE 471ST RETIREMENT MEETING OF MARCH 21, 1988

1. Meeting will be called to order at 9:30 a.m., American Room, 14th floor, Holiday Inn Mart Plaza.
2. Approval of the Minutes of the 470th Meeting held February 16, 1988.
3. Report by Trustee.
4. Review of 4th quarter 1987 direct real estate report -- Piedmont Realty Advisors, Inc.
5. Review of status of Pension Realty Income Trust A -- Piedmont Realty Advisors, Inc.
6. Review of 4th quarter 1987 indirect real estate report -- Barbara Cambon
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.
10. Employees on Disability Retirement re-examined.
11. Presentation of Refunds of Contributions to be paid March 31, 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.
 - b) Report on 4th quarter 1987 commission direction.
 - c) Discussion of trading relationship with Bear Stearns put in place by the Wellesley Group.
15. Unfinished Business
 - a) Discussion of an International Equity Allocation.

16. New Business

- a) Request for approval to attend NCPERS conference in Chicago by Wanda Black.
- b) Discussion of real estate consultant proposals.
- c) Computer equipment proposal.

17. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 471st Meeting of the Retirement Allowance Committee was held Monday, March 21, 1988 at 9:30 A.M., in the American Room, 14th Floor, Holiday Inn - Mart Plaza.

The following were in attendance:

Ms. W. Black	Mr. W. Clark
Mr. A. Kasmer, Jr.	Mr. G. Nagle, Secretary
	Mr. D. Perk, Vice Chairman
	Ms. V. Wendorf

Mr. W. Buetow sat in Ms. J. Hughes' stead. Mr. L. Morris sat in Mr. E. Gresham's stead. Mr. H. Williams sat in Mr. I. Thomas' stead and Mr. H. Hegarty sat in Mr. C. Knox's stead. Alternates H. Reed, L. Brown and A. Curtis were present. Mr. E. Flowers was also present. Mr. J. Mullen and Ms. P. Williams of the Pension Office staff were present. Ms. S. Luthy and R. Walker of the Harris Trust and Savings Bank were present. Mr. G. Vorwaller of Institutional Property Consultants was present. Messrs. N. Joachimi and J. Prime of the Wellesley Group, Inc. were present. Mr. R. Burke, the Plan Attorney, was present. Mr. B. Scholz, pensioner representative, was also present.

- (1) The Vice Chairman called the meeting to order at 9:50 A.M.
- (2) On the call for approval of the Minutes of the 470th meeting, held February 16, 1988, Mr. Clark made a motion for approval, Mr. Kasmer 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) Dr. Robert Zerbst presented the Direct Real Estate Report for the quarter and year ended 1987 noting that the total return net of fees for 1987 was 11.9%. He further noted that the year end appraisals are included in the report. Dr. Zerbst also reported that the Jefferey Manor investment closed on March 9, 1988.

(5) Dr. Robert Zerbst presented a report dated 3/21/88 on the Pension Realty Income Trust A which indicated that the net portfolio return for 1987 is estimated to be .8%. In response to a question by the Secretary, Dr. Zerbst reviewed the issues that should be addressed in making a decision about whether to liquidate the Plan's position in the fund. He noted many of the properties were written down in 1986 and were again written down in 1987 and that they are now at levels where good upside potential exists. He further noted that because of the Plan's large position in the fund, if the Committee chose to liquidate, the trustees of the fund would be forced to sell some of the properties at their current low prices. Eventually, better value might be realized if this fund was sold as a total package to a large investor looking for a diversified portfolio. Furthermore,

the Plan has an advantage in that it can take a longer term perspective with this fund. Dr. Zerbst recommended that the Committee continue to hold this investment. He also indicated he would find out the trustees' plans for the \$7.4 million in cash that the fund currently holds.

(6) Mr. Gregory Vorwaller of Institutional Property Consultants presented the 4th quarter 1987 Indirect Real Estate Report noting that the total real estate portfolio had a return of 2.8% in the 4th quarter, 1987.

(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-nine (29) Retirement Applications for approval, including two disability applications for L. Bruce and J. Goodrich whose applications are pending medical evaluation. On a motion by Mr. Williams, seconded by Mr. Hegarty, the Committee unanimously approved the Retirement Applications as presented.

(10) The Secretary informed the Committee that ten (10) employees who are presently receiving Disability Retirement benefits were examined or had their files reviewed.

(11) The Secretary presented eighteen (18) Refunds of Contributions totaling \$68,777.93 for approval. On a motion by Mr. Williams, seconded by Ms. Black, the Committee unanimously approved the Refunds of Contributions to be paid March 31, 1988.

(12) The Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling \$31,473.33, twenty-one (21) Operating Bills, totaling \$135,180.55, nine (9) Remittances, totaling \$481,392.92 and the FIT Deposit, totaling \$194,620.12. On a motion by Mr. Hegarty, seconded by Mr. Williams, the Committee unanimously approved the Bills and Remittances, totaling \$842,666.92.

(13) The Secretary presented for approval thirty-seven (37) Death Benefits, totaling \$110,000.00. On a motion by Mr. Williams, seconded by Mr. Hegarty, the Committee unanimously approved the Death Benefits to be paid March 31, 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 February, 1988 combined performance for the Fund was +5.04% and the market value of the total assets of the Plan as of February 29, 1988 was \$797.7 million.

The Secretary reported that Mr. Thomas will be the Committee attendee to the IFE international investing seminar being held in Tokyo, Japan. The Secretary also noted that Mr. Perk, who

also had requested to attend this conference, was offered the opportunity to attend the next IFE international investing seminar being held in London and Madrid in the fall of 1988.

(14a) Mr. Mullen presented a report on the results of the asset allocation model which indicated that the inception to date (thru 2/29/88) performance for the target was -11.12% and the Boston Company model was -9.34%. The report also identified the asset allocation changes since inception and indicated that the market value of the Boston Company account was \$81,614,969.00 as of February 29, 1988.

(14b) Mr. Mullen presented a report on the directed commissions for the 4th quarter 1987 noting that \$100,087.00 was directed to Wilshire during the period.

The Secretary presented a draft of a letter explaining the Committee's commission direction objectives which he recommended be sent to the equity managers. It was noted that the Plan Attorney had reviewed the letter and found it to be in order from a legal standpoint. On a motion by Mr. Hegarty, seconded by Mr. Williams, the Committee approved the commission direction objectives draft (copy attached to these minutes) for dissemination to the equity managers. Mr. Clark abstained from voting on this motion. The Vice Chairman requested that a copy of the distribution list for this letter be provided to the Committee.

(14c) The Secretary reported that the Plan Attorney had reviewed the circumstances with regard to the trading relationship formed by the Wellesley Group with Bear Stearns in consideration of the consulting position with Bear Stearns held by Mr. Clark. The Secretary noted that the Plan Attorney's findings are contained in a letter dated February 1, 1988 (copy of which is attached to these minutes, along with correspondence from Mr. Joachimi and Mr. Clark). The Plan Attorney stated it was his opinion that there is proper basis for the Committee, in its discretion, to proceed with the Bear Stearns relationship. He suggested that a motion could be adopted by the Committee approving the relationship with Bear Stearns as regards the commission direction arrangement effectuated by the Wellesley Group. On a motion by Williams, seconded by Mr. Hegarty, the Committee approved the commission direction arrangement effectuated by the Wellesley Group with Bear Stearns. Messrs. Clark and Kasmer abstained from voting on this motion.

(15a) The Plan Attorney stated that the Committee Members were under the fiduciary obligation to maximize the investment return and protect the Plan's principal bearing in mind the benefits to be accomplished by diversification. Social concerns should not cause the Plan Committee Members to deviate from their prime responsibility. The Plan's consultants have established that the following investment philosophy of adherence to the Sullivan Principles in regard to the investment in domestic corporations

would not result in any material diminution in investment return. However, looking at the issue of international equities, it is not possible to measure the effectiveness of Sullivan Principle enforcement policies in investments. The consultants have advised the Committee that the international equities are an appropriate diversification for the Plan which provide a desirable investment return. Therefore, it was Plan counsel's opinion that the investment in international equities was an appropriate investment for the Plan which should not be ignored because of an inability to effectuate the objectives of the Sullivan Principles. A discussion ensued among the Committee members after which it was decided that this item would be deferred until the next meeting.

Mr. Joachimi presented a report entitled "Stages of Venture Capital" on the asset class, venture capital. He noted that venture capital represents another way to diversify the fund and that returns have exceeded returns on domestic equities, however, the volatility can be substantially higher. Mr. Joachimi recommended that the Committee consider an allocation of up to 5% to venture capital after it has made a decision with respect to international equities. The Committee agreed to hold this item in abeyance per Mr. Joachimi's recommendation.

(16a) On a motion by Mr. Williams, seconded by Mr. Kasmer, the Committee unanimously approved the attendance of Wanda Black at

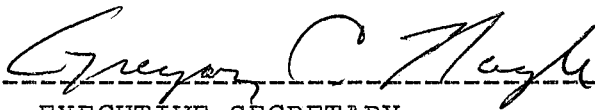
the NCPERS conference being held in Chicago April 10-14.

(16b) The Committee acted to defer the discussion of the real estate consultant proposals until the next meeting.

(16c) Mr. Mullen presented a proposal to purchase computer equipment for the Pension Office from Microware Inc., a minority owned firm. On a motion by Mr. Clark, seconded by Mr. Williams, the Committee unanimously approved purchase of the equipment identified in the proposal at a cost of \$21,560.00 (copy of proposal is attached to these minutes).

The Secretary reported that Mr. Mullen has accepted another employment offer, and therefore, is resigning from the CTA effective April 8, 1988.

(17) The Committee unanimously approved a motion to adjourn at 1:50 P.M.



EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE



DATE