

AGENDA

FOR THE 476TH RETIREMENT MEETING OF AUGUST 15, 1988

1. Meeting will be called to order at 10:00 a.m., Ogden Room, Hyatt Regency Chicago.
2. Approval of the Minutes of the 475th Meeting held July 18, 1988.
3. Approval of the Minutes of the Special Meeting held July 26, 1988.
4. Report by Trustee.
5. Report on 1987 Financial Statements - Arthur Young & Co.
6. Second Quarter 1988 SEI report -- Mr. R. Wood.
7. Second Quarter 1988 Wellesley Group report -- Mr. N. Joachimi.
8. Announcement of deaths reported since the last meeting.
9. Announcement of Pre-Retirement Surviving Spouse Allowances.
10. Presentation of new retirement applications for approval.
 - a) Elijah Brown - retroactive to 08-01-88.
 - b) Dave Johnson - retroactive to 08-01-88.
11. Employees on Disability Retirement re-examined.
12. Presentation of Refunds of Contributions to be paid August 31, 1988.
13. Presentation of Bills and Remittances.
14. Death Benefits for approval.
15. Report by Secretary of Deposits, Disbursements and Investments.
 - a) Report on results of the asset allocation model.
16. Unfinished Business
 - a) Discussion of the calculation of compensation for pension earnings purposes for individuals on leave of absence holding full-time union positions.
 - b) Fiduciary Liability Insurance coverage for Retirement Allowance Committee.

17. New Business

- a) Carl McQuay - revoked his retirement application which was approved at the Retirement Allowance Committee meeting of 07-18-88 and which was to have become effective on 08-01-88.
- b) Earl Beed - D-2437 - returned to work on 07-28-88.
- c) Retirement Plan Budget for 1989.
- d) 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
William Bankston #22153	08-14-88	03-29-68	\$14,644.36
Wilbert G. Brown #21555	08-14-88	10-17-69	15,289.82
James W. Catching #5821	08-04-88	07-24-75	8,558.09

- e) Assignment of new pension seniority date for Theodore W. Rencher. Thirty day extension to repay refund of \$2,419.62 expired 07-20-88. New seniority date for pension purposes only -- 05-18-87.

18. Adjournment

RETIREMENT PLAN FOR CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 476th Meeting of the Retirement Allowance Committee was held Monday, August 15, 1988 at 10:00 A.M., in the Ogden Room - Hyatt Regency, Chicago. The following were in attendance:

Ms. W. Black	Mr. C. Andersen
Mr. E. Gresham, Chairman	Mr. M. Holzman
Mr. A. Kasmer, Jr.	Ms. J. Hughes
Mr. C. Knox	Mr. D. Perk
Mr. I. Thomas	

Mr. G. Nagle, Executive Secretary, was present. Alternate A. Curtis sat in Mr. C. Burrus' stead. Alternate H. Reed sat in W. Black's stead (who arrived late to the meeting). Alternates L. Brown, H. Williams, L. Morris and H. Hegarty were in attendance. Alternate W. Buetow was in attendance. Alternate D. Carter, Law Department was also present. Mr. W. Ross and Ms. P. Williams of the Pension Office staff were in attendance. Ms. S. Luthy of the Harris Trust and Savings Bank was in attendance. Mr. M. Shanley and Ms. L. Buckley, Arthur Young & Co. were present. Mr. N. Joachimi of the Wellesley Group was also in attendance. Mr. T. Paravola of Burke, Griffin, Chomicz & Wienke was present. Mr. B. Scholz, pensioner representative was also present.

The Chairman noted that the Chicago Transit Board had appointed the following new members: Messrs. Charles Andersen, Clark Burrus and Milton Holzman (replacing V. Wendorf, W. Clark and G. Nagle) and as alternates Messrs. Dorval Carter, Jr. and Elonzo Hill (replacing J. Butler and H. Reddrick).

- (1) The Chairman called the meeting to order at 10:22 A.M.
- (2) On the call for approval of the Minutes of the 475th meeting, held July 18, 1988, Mr. Kasmer made a motion for approval, Mr. Reed seconded the motion, and the Committee unanimously approved.
- (3) On the call for approval of the Minutes of the Special Meeting, held July 26, 1988, Mr. Reed made a motion for approval, Mr. Knox seconded and the Committee unanimously approved.
- (4) 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.
- (5) Mr. M. Shanley and Ms. Linda Buckley reviewed the 1987 Financial Statements and their report indicating said statements fairly represent the financial status of the Plan and the results of operations for the year. Mr. Shanley also indicated that a review of the internal control procedures revealed no material weaknesses.
- (6) The second quarter, 1988 SEI report was held in abeyance until the next meeting.
- (7) Mr. Joachimi reviewed with the Committee an excerpt from the Second Quarter, 1988 Wellesley Group Report, which he referred to as an executive summary, noting that the full report was not yet ready. He then reviewed a report on the

performance of Atalanta Sosnoff noting their poor performance on a relative basis to their peer group. He stated that Atalanta Sosnoff was hired based on their 5 and 10 year performance record, and, normally would be allowed a 2-3 year period before any action was taken based on performance results, however in this case, there were other important factors which suggested an earlier review was warranted. Mr. Joachimi stated that Atalanta Sosnoff has undergone a tremendous turnover in personnel that involved almost a complete firing and rehiring of their analyst group, and the departure of the chief investment officer. They also changed their investment style which apparently started about the time they were hired which also approximately coincided with the firm's going public.

Mr. Joachimi recommended that the Committee make a decision to explore other potential managers in the growth area, and as a second alternative, explore moving the fund to existing managers, after which Atalanta Sosnoff would be notified of the Committee's decision to terminate their relationship. Mr. Joachimi asked for the Executive Secretary's input as he met with Mr. Kobel of Atalanta Sosnoff in his New York office. The Executive Secretary stated that Mr. Kobel had also discussed the change in personnel with him. He noted that the change in investment style and the start of the drop off in performance seems to have coincided with the firm's going public and chief investment officer's apparent loss of incentive to perform well. He further noted that this firm's style is very personnel intensive as they

are stock pickers, and he didn't see where the void left by the departing chief investment officer had been filled by anyone with a proven track record. He stated that for these reasons and the reasons outlined by Mr. Joachimi, the Committee should not risk continuing with this manager with the hope that this firm would somehow revert back to the firm that produced the good track record. On a motion by Mr. Holzman, seconded by Mr. Kasmer, the Committee unanimously agreed to accept Mr. Joachimi's recommendation regarding Atalanta Sosnoff.

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

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

(10) The Executive Secretary presented twenty-four (24) Retirement Applications for approval, including requests for retroactivity to August 1, 1988 for Elijah Brown and Dave Johnson received from the managers of their respective departments, siting administrative problems. The retirement application for Morton Libert, #2473 is to be approved subject to medical evaluation. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the retirement applications as presented, including the requests for retroactivity.

(11) The Executive Secretary informed the Committee that seven

(7) employees who are presently receiving Disability Retirement Benefits were examined or had their files reviewed.

(12) The Executive Secretary presented thirty-five (35) Refunds of Contributions, totaling \$223,250.89 for approval. On a motion by Mr. Kasmer, seconded by Mr. Perk, the Committee unanimously approved the Refunds of Contributions to be paid August 31, 1988.

(13) The Executive Secretary presented for approval one (1) Chicago Transit Authority Bill, totaling \$39,427.82, eighteen (18) Operating Bills, totaling \$129,602.37, nine (9) Remittances, totaling \$481,736.39, and the FIT Deposit, totaling \$212,976.39. On a motion by Ms. Black, seconded by Mr. Kasmer, the Committee unanimously approved the Bills and Remittances, totaling \$863,742.97.

(14) The Executive Secretary presented for approval twenty-eight (28) Death Benefits, totaling \$72,500.00. On a motion by Mr. Andersen, seconded by Mr. Kasmer, the Committee unanimously approved the Death Benefits to be paid August 31, 1988.

(15) The Executive Secretary turned the Committee's attention to the Report on Deposits, Disbursements and Investments in the Trustee Summary and noted that the July, 1988 performance for the Fund was $-.18\%$ and the market value of the total assets of the Plan as of July 31, 1988 was \$830.9 million.

(15a) The Executive Secretary presented a report on the results

of the asset allocation model which indicated that the inception to date (thru 7/31/88) value added by the Boston Company was 2.24%. The report also identified the asset allocation changes since inception and indicated that the market value of the Boston Company account was \$88.2 million as of July 31, 1988.

(16a) With regard to the calculation of compensation for pension earnings for individuals on leave of absence holding full-time positions with the union, Mr. Knox explained that he took issue with the current method used which does not reflect the actual earnings of the union officer but rather uses the lower earnings of the CTA classification previously held by the union officer. Because of the salary difference, the pension benefits would be significantly lower. A discussion ensued during which Mr. Morris stated that it would be unfair to make a change that would only benefit full-time union positions. Mr. Knox questioned the change in the method of computation occurring sometime during 1980 -1982. Mr. Morris stated that in 1980 the Retirement Allowance Committee discussed the different methods of crediting pension earnings and that Local 308 decided to use one method, and Local 241 another method. Mr. Thomas requested that the Committee be provided with the minutes from that meeting. The Chairman recommended that the two union locals meet and come to an agreement to solve this issue. Mr. Knox put the Chairman's recommendation into the form of a motion, Mr. Kasmer seconded, and the Committee unanimously agreed.

(16b) With regard to the fiduciary liability coverage, the Executive Secretary reported that a one year policy effective June 17, 1988 had been approved by the Authority. He reported that the coverage excluded for the first time claims arising out of the discharge, release or escape of liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon the land, atmosphere or any water course or body of water. Mr. Paravola stated that this exclusion is the only provision of the coverage that has been changed and it limits coverage for environmental concerns, and that it was his understanding that insurance companies are not writing this type of coverage any longer. Mr. Andersen confirmed that his investigation of the market found that insurance companies do not write this coverage. Mr. Knox asked about the implications to the potential personal liability of the trustees caused by this lack of coverage. Mr. Paravola stated that the Plan document covers this concern in Section 5.10 which says **"Members of the Committee shall not be personally liable for any act done by them in performance of their duties as members of the Committee and shall be indemnified by the Fund against any and all liability and expenses reasonably incurred in connection with any action to which they may be a party by reason of their membership in the Committee, provided, however, that the foregoing shall not apply to any member who shall be adjudged guilty of misconduct."** On a motion by Mr. Perk, seconded by Ms. Black, the Committee unanimously approved the coverage for a one year period at a premium cost of

\$35,000.00.

(17a) The Executive Secretary reported that Carl McQuay revoked his retirement application which was approved at the Retirement Allowance Committee meeting of July 18, 1988 and which was to have become effective on August 1, 1988.

(17b) The Executive Secretary reported that Earl Beed - #D-2437 returned to work on July 28, 1988.

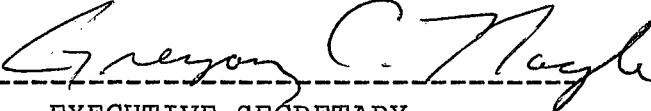
(17c) The Executive Secretary then presented a report on the Retirement Plan Budget for 1989 noting that it was divided into three major expense categories for Labor, Administration and Investment. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved the proposed Retirement Plan Budget for 1989.

(17d) The Executive Secretary informed the Committee that the following employees' thirteen-month period for repayment of contributions had expired and recommended that they be granted a 30-day grace period: William Bankston, Wilbert G. Brown and James W. Catching. On a motion by Mr. Perk, seconded by Mr. Kasmer, the Committee unanimously approved.


(17e) The Executive Secretary recommended that the Committee assign a new pension seniority date for Theodore W. Rencher whose thirty day extension to repay a refund of \$2,419.62 expired 7/20/88. On a motion by Mr. Kasmer, seconded by Ms. Black,

the Committee unanimously approved a new pension seniority date of 5/18/87 for Mr. Rencher.

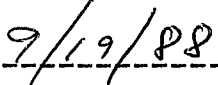
(18) There being no further business, on a motion by Mr. Kasmer, seconded by Ms. Black, the Committee unanimously approved a motion to adjourn at 12:46 P.M.



EXECUTIVE SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE



DATE