

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 326th Meeting of the Retirement Allowance Committee was held on Monday, June 21, 1976 in the Conference Room, Room 444, Merchandise Mart and the following were in attendance:

Mr. E. Barley, Sr.	Mr. J. Tiffy
Mr. J. Blaa	Mr. J. Touhy
Mr. P. Kole	Mr. W. Spears

Mr. Lemm, alternate for Mr. Ashley, Mr. Kasmer, alternate for Mr. Langosch and Mr. Mullen, alternate for Mr. Hastings were also present. Neither Mr. Brabec nor his alternate were present. Mr. Hegarty from Division 308; Messrs. E. Hamilton, W. Leszinske and S. Schuster of Continental Bank; Mr. C. Heatter, Superintendent of Pensions were also present.

The Chairman called the meeting to order at 10:38 A.M.

The Chairman called for the election of a Secretary Pro Tempore in the absence of Mr. Ashley.

On a motion by Mr. Touhy, seconded by Mr. Spears, Mr. D. Lemm was elected Secretary Pro Tempore.

Mr. Schuster of Continental Bank explained to the Committee that there has been a reassignment in Trust Officers and introduced Mr. Edward Hamilton as the Fund's new Trust Officer.

A presentation was made by Mr. Edward Hamilton relative to a new Trustee Fee, effective January 1, 1976. Mr. Hamilton indicated that the Trustee Fee is based on the market value of the securities and the percentage increase is approximately 27% during the first year of the new fee and 40% increase

during the following years. He indicated that Continental Bank is extending a 15% discount for the first year to the Retirement Plan for Chicago Transit Authority Employee Fund.

Mr. Hamilton passed out a pamphlet titled "Pension Funds Schedule of Fees Trustee" to all Committee Members and explained the schedule of fees. He also indicated the Trustee Fee for the first quarter of 1976 was \$36,612.47 based on assets with a market value of \$163,080,208.48 which included the 15% discount as was extended to the Fund by Continental Bank. He also indicated the 2nd quarter cost of 1976 was \$38,751.06 on assets with a market value of \$175,148,736.39 which also included the 15% discount.

During Mr. Hamilton's presentation, Mr. Touhy asked if the Trustee Fee was based on escalation (as the Fund increases in market value the Fee increases). Mr. Hamilton responded in the affirmative.

During Mr. Hamilton's presentation, Messrs. Barley and Tiffy asked questions relative to the computation of the Fee. Mr. Hamilton directed Messrs. Tiffy and Barley to the pamphlet titled "Pension Funds Schedule of Fees Trustee".

Messrs. Barley and Tiffy asked whether the Fund was based on a fiscal or calendar year. Mr. Hamilton stated that the Fee was based on a Calendar year.

Mr. Hamilton continued his presentation with an explanation of the discrepancies during the quarter ended March 31, 1976, as were pointed out by Mr. John Turner of Callan Associates Incorporated at the 325th Retirement Allow-

ance Meeting. Mr. Hamilton referred to the Callan Associates Portfolio Audit pointing out that the reason for not crediting the Registered Interest within three days after interest payable date was due to the fact that they were Canadian Securities and the policy of payable date + 3 was only applicable to Registered Interest on Domestic Bonds.

Mr. Touhy asked why the Continental Bank cannot credit the Registered Interest on these Bonds as on Domestic Bonds. Mr. Hamilton indicated that he will have to investigate the feasibility of Mr. Touhy's request and report to the Committee at the July meeting.

Mr. Barley asked if we should be investing in Foreign Securities. Mr. Schuster answered that presently certain Canadian Securities are paying high interest rates and are considered to be good investments by Continental's Investment Analysts.

Mr. Kasmer asked how the Registered Interest was paid on Canadian Securities, Mr. Leszinske responded on a semi-annual basis. Mr. Schuster pointed out that to date the Fund has approximately \$2,000,000.00 invested in foreign securities, a small percentage of total Fund. Mr. Leszinske also pointed out all Domestic Bonds with Registered Interest are in fact credited within payable date plus 3 and dividends from equities credited to Fund on payable date.

Mr. Barley asked that if Continental had one million dollars in a New York Bank how would funds get to Chicago? Mr. Hamilton indicated by wire. Mr. Barley then asked why this could not be done by Continental with the Canadian Securities.

Mr. Hamilton indicated that Canada was in a different Banking System and this could not be done and that the transactions are handled through the mail.

A presentation was then made by Mr. Leszinske on the Performance of the Trustee's Equities for the period March 31, 1976 to June 17, 1976 based on market value. He indicated there was an increase in market value on equities from \$113,394,838.00 to \$114,661,488.00. He stated the Dollar Weighted Percent Change for all equities was 1.12 as compared to the S&P 500 +.82 and Dow Jones Industrials +.37. He stated that the Fund has in fact outperformed the S&P 500 and Dow Jones Industrials for this period.

Mr. Leszinske continued his presentation with a Sector Performance Analysis of Bonds indicating the Point to Point Weight Price Movement was a -1.21% and Income from Interest was +1.31% for a Total Return on Bonds of .1% for this period.

Messrs. Tiffy and Touhy indicated concern over Equity Holdings in Eastman Kodak Company and other Equities indicating negative percent change. Mr. Leszinske stated that Continental is constantly assessing the stocks indicating negative percent changes and will provide Continental's rationale for Equities with large decreases in Market Value. Mr. Kasmer asked if the reason why Polaroid Corporation has increased in Market Value is due to the fact that Polaroid is involved in a lawsuit against Eastman Kodak. Mr. Leszinske responded in the affirmative.

Mr. Schuster indicated that most of the Equities indicating a large decrease in Market Value are related to Consumer Market and Continental is forecasting an improvement in the Consumer Related Equity Market.

The Continental Bank's presentation was concluded at 12:00 P.M. Messrs. Hamilton, Leszinske and Schuster left the meeting.

The Chairman asked for the approval of the Minutes of the 325th Meeting held May 17, 1976.

On a motion by Mr. Touhy, seconded by Mr. Blaa, the Minutes of the 325th Meeting held on May 17, 1976 were unanimously approved.

The announcements of deaths since the last meeting were made by the Secretary as per the attached list.

The Secretary presented Mr. Edward Chapleski for Survivorship Option by reading a report by the Committee's Physician. After a discussion relative to this matter by all Committee Members, it was agreed to hold this in abeyance until the next meeting when both the legality, past practice and ramifications relating to this matter can be reported.

The Secretary advised that six (6) Survivorship Options were submitted for approval. On a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously approved the six (6) Survivorship Options submitted by the Secretary.

The Secretary advised the Committee that to date Mr. John T. Summerson has not responded to a request by the Secretary's Office to report to the Medical Department with a complete report from his attending physician. Mr. Tiffy

indicated that this was not handled in the proper manner. The Secretary responded that this was handled according to standard procedure and that it is the employee's responsibility to make application. Mr. Tiffy then stated that he would contact Mr. Summerson for the Committee. The Secretary advised the Committee that Mr. Albert Schnell has responded to a request by the Committee and indicated that he would report to the Medical Department on June 22, 23 or 24.

The Secretary advised that twenty-four (24) Applications for Retirement were submitted at this meeting. On a motion by Mr. Touhy, seconded by Mr. Blaa, the Committee unanimously approved the twenty-four (24) applications submitted by the Secretary and that Mr. John T. Summerson and Mr. Albert Schnell be held in abeyance until Total and Permanent Disability is established by the Committee's Physician.

The Secretary reported that during the month, one (1) employee on Total and Permanent Disability was examined by the Medical Department or their record reviewed.

The Secretary presented forty-three (43) refunds totaling \$186,349.98 for approval at this meeting. On a motion by Mr. Tiffy, seconded by Mr. Touhy, the refunds to be paid June 30, 1976, as per the attached statement, were unanimously approved.

The Secretary read a report of deposits, disbursements and investments during the month of May, as per the attached statement.

The Secretary presented the Chicago Transit Authority bills totaling \$29,077.70 and miscellaneous bills totaling

\$163,531.75 for approval. On a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously approved payment of these bills.

The Secretary reported that for the payment of June 30, 1976, Death Benefits numbering twenty-eight (28) and amounting to \$42,000.00 were submitted for approval. On a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously approved payment for the Death Benefits, as per the attached list.

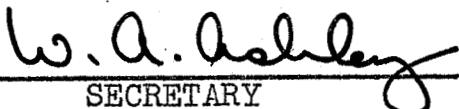
The Secretary presented the Trustee Fee for approval. Mr. Blaa indicated that an increase of approximately 27% for the first year and approximately 40% thereafter seemed very high. Messrs. Barley, Tiffy and Touhy agreed with Mr. Blaa. Mr. Barley requested that additional research be conducted and presented to the Committee at the July Meeting. *The Trustee Fee was held in abeyance until next meeting.

The Secretary advised that it will be necessary to appoint an Actuary and Auditor for the Plan Year 1976. The Secretary recommended that because of the satisfactory performance the Wyatt Company be named Actuary and the Arthur Young Company be named Auditors. The Secretary advised the Committee that a letter was received from the Wyatt Company and Arthur Young giving their present rates. The Secretary presented a review of the rate schedules for the Wyatt and Arthur Young Companies reflecting their increase in rates from 1975 to 1976. On a motion by Mr. Tiffy, seconded by Mr. Kasmer, the Committee unanimously approved The Wyatt


Company as Actuary and the Arthur Young Company as Auditor for the Plan Year 1976.

Mr. Touhy requested information concerning RTA Employees such as: number of employees currently on Leave of Absence from the CTA, the policy relative to pension contributions from people on Authorized Leave of Absence. Mr. Touhy also asked if each employee was fully informed of their Pension rights before resigning from the Authority. The Secretary stated that he would conduct research and report back to the Committee at the next meeting.

There being no further business, on a motion by Mr. Barley, seconded by Mr. Kasmer, the Committee unanimously agreed to adjourn at 12:37 P.M.



SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED: JUL 19 1976