

RETIREMENT PLAN  
FOR  
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 327th Meeting of the Retirement Allowance Committee was held on Monday, July 19, 1976 in the Conference Room, Room 444, Merchandise Mart and the following were in attendance:

Mr. W. Ashley

Mr. E. Brabec

Mr. E. Barley, Sr.

Mr. J. Hastings

Mr. J. Blaa

Mr. J. Touhy

Mr. Brown, alternate for Mr. Kole, Mr. Hegarty, alternate for Mr. Spears, Mr. Kasmer, alternate for Mr. Langosch were also present. Neither Mr. Tiffy nor his alternate were present. Mr. Mullen, alternate for Mr. Hastings; Mr. Lemm, alternate for Mr. Ashley; Messrs. E. Hamilton and Leszinske of Continental; Mr. C. Heatter, Superintendent of Pensions were also present.

The Chairman called the meeting to order at 10:34 a.m.

A presentation was made by Mr. Edward Hamilton relative to Registered Interest on Foreign Bonds and a New Trustee Fee effective January 1, 1976. Mr. Hamilton informed the Committee that in response to the Committee's request relative to crediting of Registered Interest on Foreign Bonds, within the policy payable +3 as applicable to Registered Interest on Domestic Bonds, the Continental Bank is crediting

interest of \$823.25 to the Fund. The interest being credited is the amount which the fund would have earned if the money would have been invested in an average demand note instead of Foreign Bonds.

Mr. Touhy asked if Continental will continue this practice in the future. Mr. Hamilton answered that it is hoped that the condition will be such that the Bank may not have to credit any more due to lat posting of Interest.

Mr. Hamilton continued his presentation by correcting his statement made at the 326th Retirement Allowance Meeting relative to the new Trustee Fee indicating the percentage increase in the Fee is not 27% during the first year of the new fee and 40% increase during following years but approximately 11% increase in the Fee in the first year and approximately 31% increase in the Fee in the second year.

Mr. Hamilton indicated that due to the concern displayed by the Retirement Allowance Committee at the 326th Retirement Meeting and after negotiations with the Secretary's Office the Continental Bank extended the 15% discount in the Trustee Fee to Plan Year 1977 in addition to the 15% discount extended to the Fund in the Plan Year 1976. Mr. Ashley commented on the research conducted by the Pension Section relative to comparing the Continental Bank newly proposed Trustee Fee to four other major Chicagoland Based Banks. This research indicated that the new Trustee Fee was in-line with the four other major Chicagoland Based Banks.

A presentation was then made by Mr. Leszinske of Continental Bank relative to current economic environment, indicating factors attributed to the strength of current economic situation and pointing out areas of concern as to the future economic situation with respect to inflation. He pointed out that the Petroleum Industry prices are stabilizing and the Agricultural Related Industry are forecasting a "Bumper Crop". He also indicated that the GNP should grow at a 5½% to 6% rate for 1976.

He further indicated that the Prime Rate may move up to 8¼% and Long Term Securities Interest Rates are projected to remain flat between now and year end.

Mr. Brown asked if Continental projected an improvement in Utility Stocks due to the current economic situation. Mr. Leszinske responded in the affirmative and also indicated that the Fund currently only has one utility stock - American Telephone and Telegraph.

Mr. Leszinske continued his presentation on the Performance of the Trustee's Equities for the period March 31, 1976 to June 30, 1976 based on Market Value on Equities from \$113,394,838.00 to \$115,361,375.00. He stated the Dollar Weighted Percent Change for all Equities was +1.73 as compared to the S & P 500 +1.47 and the Dow Jones Industrials +.33.

He continued his presentation on the Performance of the Trustee's Equities by reporting that for the period June 30, 1976 to July 15, 1976 based on the Market Value that there was an increase in Market

Value on Equities from \$115,361,463.00 to \$115,910,409.00. He stated the Dollar Weighted Percent Change for this period of all Equities was +.48 as compared to the S & P 500 +.88 and Dow Jones Industrials of -.51.

Mr. Leszinske by the use of the Point to Point Equity Performance reports illustrated how stocks have varied in market price over short periods of time and how certain consumer related stocks are showing recovery as was forecasted during the 326th Retirement Allowance Meeting.

Mr. Leszinske continued his presentation with a Sector Performance Analysis of Bonds indicating the Point to Point Weight Price Movement was a -1.28% and Income from Interest of +2.05 for a Total Return on Bonds of +.77% for the period March 31, 1976 to June 30, 1976 and the Point to Point Weight Price Movement was a +.79% and Income from Interest of +.27 for a total return on Bonds of +1.06% for the period June 30, 1976 to July 12, 1976.

Mr. Hastings asked if Total Return was on an Annualized Basis: Mr. Leszinske responded by indicating that it is not an Annualized Rate but a actual percentage gain.

Mr. Brabec asked the Equity Composition of the Trusts' Portfolio to date. Mr. Leszinske indicated the Portfolio currently has approximately 64% Equities. He further indicated that the Contributions

received in June were invested in Demand Notes until a decision is reached relative to the purchase of Fixed Assets or Equities.

The Continental Bank's presentation was concluded at 10:54 a.m. Messrs. Hamilton and Leszinske left the meeting.

The Chairman asked for approval of the Minutes of the 326th Meeting held on June 21, 1976.

On a motion by Mr. Touhy, seconded by Mr. Blaa, the Minutes of the 326th Meeting held on June 21, 1976 were unanimously approved.

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

The Secretary advised that twelve (12) Survivorship Options were submitted for approval. On a motion by Mr. Touhy, seconded by Mr. Kasmer, the Committee unanimously approved the twelve (12) Survivorship Options submitted by the Secretary.

The Secretary brought up the question of the Survivorship Option for Mr. Edward Chapleski which was held in abeyance from the last meeting awaiting an opinion from the Committee's Attorney concerning the provisions of Section 13 and Rule 18 of the Retirement Plan and the past practice of the Committee in similar situations. The Secretary read the legal opinion relative to Section 13 and Rule 18 and advised the Committee that "failure on the part of the employee to submit evidence of good health, would disqualify the employee from electing the Option".

A copy of the legal opinion is part of the Committee's records in the Secretary's Office. After general discussion by the Committee, on a motion by Mr. Brown, seconded by Mr. Brabec, the Committee unanimously disapproved the Survivorship Option submitted by Mr. Chapleski. The Secretary indicated all early and normal retirements are eligible for Survivorship Option and that disability retirements are not eligible for the Survivorship Option.

The Secretary advised that twenty-six (26) Applications for Retirement were submitted to this office for presentation at this meeting. One of the twenty-six (26) applications was for Mr. Albert Schnell of the Maintenance Department (Vehicle Maintenance Section) which was held in abeyance at the 324th and 325th Retirement Allowance Meetings pending establishment of Total and Permanent Disability was submitted to be made retroactive to June 1, 1976 after establishment of Total and Permanent Disability on July 6, 1976 by the Committee's Physician. On a motion by Mr. Brabec, seconded by Mr. Hastings the Committee unanimously approved the twenty-six (26) applications submitted by the Secretary.

The Secretary reported that during the month, six (6) employees on Total and Permanent Disability were examined by the Medical Department or their record reviewed.

The Secretary presented fifty-one (51) refunds totalling \$185,820.89 for approval at this meeting. On a motion by Mr. Touhy, seconded by Mr. Kasmer, the refunds to be paid July 31, 1976, as per the attached statement, were unanimously approved.

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

The Secretary presented the Chicago Transit bills totalling \$1,075.39 and Miscellaneous bills totalling \$89,299.43. Mr. Barley questioned why the term Miscellaneous as used by the Secretary's Office. The Secretary indicated that Miscellaneous was the title of the account as set up by the Plan's Auditor's. Mr. Barley asked for a detail breakdown of bills. The Secretary called Mr. Barley's attention to detail listing of all bills and description of bills being paid. On a motion by Mr. Touhy, seconded by Mr. Hegarty, the Committee unanimously approved payment of these bills.

The Secretary reported that for the payment of July 31, 1976, Death Benefits numbering thirty-nine (39) and amounting to \$71,000.00 were submitted for approval. On a motion by Mr. Brabec, seconded by Mr. Blaa, the Committee unanimously approved payment for Death Benefits, as per the attached list.

The Secretary reported that Mr. John T. Summerson was approved to return to duty by the Committee's Physician as of June 25, 1976. Mr. Blaa then responded to Mr. Tiffy's statement at the 326th Retirement Allowance Committee Meeting relative to the handling of Mr. Summerson's Retirement Application processing. Mr. Blaa stated that on November 13, 1975, Mr. Summerson was informed by the Transportation Department of eligibility to apply for Total and Permanent Disability. Mr. Ashley advised the Committee that the Summerson's matter was handled properly.

Mr. Touhy asked if a person must complete the 26 weeks under the Authority's Group Insurance in order to qualify for Total and Permanent Disability. The Secretary responded in the affirmative and read Section 12, Paragraph 12.1 (2) of the Retirement Plan to Mr. Touhy.

The Secretary recommended that the payment of the Trustee Fee be released in view that Continental Bank has agreed to extend a 15% discount in the Trustee Fee for the 1977 Plan Year in addition to the 15% discount for the 1976 Plan Year, the Trustee Fee bill for the 1st and 2nd Quarter of the 1976 Plan Year in the amount of \$75,363.52 which was presented and approved, but held in abeyance at the 326th Retirement Allowance Meeting held June 21, 1976 pending additional research. On a motion by Mr. Brown, seconded by Mr. Touhy, the Committee unanimously approved to release payment of Trustee Fee for 1st and 2nd Quarter of Plan Year 1976 in the amount of \$75,363.52.

The Secretary advised the Committee that Mr. Edward P. Devitt approved for Total and Permanent Disability effective May 1, 1976, returned to duty on July 1, 1976.

The Secretary responded to the question raised by Mr. Touhy relative to number of employees currently on Leave of Absence to the R.T.A. and the provision relative to pension contributions from people on Authorized Leave of Absence, stating that there are two individuals on Authorized Leave of Absence, Ms. Lois Harb and Mr. Bernard Ford.

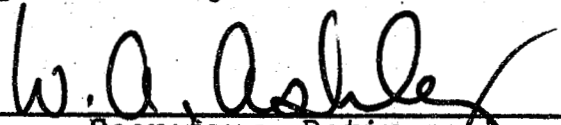


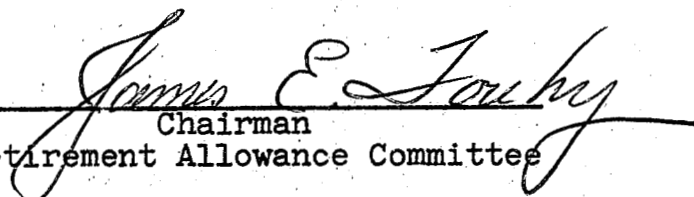
As to the provisions relative to pension rights the Secretary read a legal opinion which was submitted by the Committee's Attorney in accordance with Section 3 of Retirement Plan stated that " A person on Leave of Absence is required to return to the employment of the Authority within three years in order to sustain his rights under Pension Plan". A copy of the legal opinion relative to Leave of Absence is part of Committee's records in the Secretary's Office.

Discussion then ensued between Messrs. Barley, Brabec, Touhy and the Secretary relative to treatment of Service Credit, Computation of Pension and Compensation of Employees who return after Authorized Leave of Absence.

Mr. Kasmer then asked how much service is needed for vesting. The Secretary responded by stating that Section 11 provides for 100% vesting after 10 years of service. Mr. Kasmer then asked when the Secretary expects ERISA Law covering the Public Sector to be enacted? Both Mr. Ashley and Mr. Brabec indicated that the sponsors of the Plan are running into certain problems and they cannot forecast a definite date the Law will be enacted.

There being no further business on a motion by Mr. Touhy, seconded by Mr. Kasmer, the Committee unanimously agreed to adjourn at 11:48 a.m.

  
Secretary, Retirement  
Allowance Committee

  
Chairman  
Retirement Allowance Committee

Dated:                     AUG 16 1976