

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 328th Meeting of the Retirement Allowance Committee was held on Monday, August 16, 1976, in the Conference Room, Room 444, Merchandise Mart and the following were in attendance:

Mr. W. A. Ashley	Mr. J. Tiffy
Mr. P. J. Kole	Mr. J. Touhy
Mr. E. Langosch	

Mr. Hegarty, alternate for Mr. Spears; Mr. Hill, alternate for Mr. Blaa; Mr. Mullen, alternate for Mr. Hastings, were present. Neither Mr. Barley, Mr. Brabec nor their alternates were present. Mr. J. Turner of Callan Associates, Inc.; Messrs. N. Funk and W. Leszinske of Continental Bank; Messrs. H. Brown and D. Lemm; and Mr. C. Heatter, Superintendent of Pensions, were also present.

The Secretary called the meeting to order at 10:09 A.M.

The Secretary advised the Committee that due to the absence of Mr. Barley it would be necessary to elect a Chairman Pro Tempore. On a motion by Mr. Kole, seconded by Mr. Langosch, the Committee unanimously elected Mr. Touhy, Chairman Pro Tempore.

A presentation was made by Mr. W. Leszinske of Continental Bank relative to current economic environment, indicating factors attributed to the strength of the current economic situation.

Mr. Leszinske pointed out that the GNP is expected

to increase by 6.5% in calendar year 1976 and by 5.0% in calendar year 1977. He pointed out that there has been an increase in unemployment to approximate 7.8%. He further indicated that the inflation rate has increased to about 7% which was attributed to an increase in petroleum prices. He also pointed out that short term interest rates are down and the prime rate will be moving up toward 8% by year end.

Mr. Leszinske continued his presentation by projecting 1976 Corporation Profit increases in the area of 28% and 13% in 1977. He pointed out there has been modest growth in housing starts and that Equities continue to be modestly priced and remain very attractive.

Mr. Leszinske referred to the Quarterly Report ending June 30, 1976 of the Fund Performance as prepared by Continental Bank. He pointed out that for the period December 31, 1975 to June 30, 1976 the Rate of Return for Equities was +14.34%, Fixed Income was +5.28% and the Rate of Return for Total Fund was +10.63%.

Mr. Touhy asked Mr. Leszinske if the Committee could give Continental authorization to increase the amount invested in Equities. Mr. Ashley indicated that Continental does not need authorization by the Committee due to the fact Continental has sole discretion over all Investments including Portfolio Composition.

Mr. Leszinske referred to a point to point analysis of the Equities for the period June 30, 1976 to August 12, 1976 based on Market Value decreased from \$112,105,813.00 to

\$110,562,588.00. He stated the Dollar Weighted Percent Change for all Equities was -1.38% as compared to the S&P 500 at -0.06% and the Dow Jones Industrial trials -1.56%.

Mr. Touhy referred to Eastman Kodak stock and indicated that the change is still negative. Mr. Leszinske pointed out that it has improved significantly since the last point to point in July.

Mr. Leszinske pointed out that Continental has increased the Equity Portfolio by approximately \$5,000,000.00 since the July Retirement Allowance Meeting.

Mr. Leszinske then referred to the Report of Fixed Income Investment changes during the last quarter indicating that the Bonds which were purchased had high ratings and briefly explained a Bond Sale and Purchase. He also pointed out that the Fund currently has about \$11,000,000.00 in Short Term Securities pending investment.

Mr. Kole questioned the difference between the June 30, 1976 Market Value of the Point to Point Report and the Investment Summary. Mr. Leszinske responded that the Point to Point Report Market Value was computed at a different date than the Investment Summary.

Each Committee Member was given their personal copy of Continental's June 30, 1976 Quarterly Report. A copy of this report is part of the Committee's records in the Secretary's Office.

Mr. Leszinske concluded his presentation at 10:34 A.M.

Mr. J. Turner of Callan Associates, Inc. made a presentation on the Trust's Performance up to the quarter ended

June 30, 1976.

Mr. Turner pointed out that for the first half of the year in 1976 the Fund exceeded its Actuarial Assumption, but over the period of 5½ years did not meet the Fund's Actuarial Assumption of 5%. He pointed out that only the last 1½ years have been conducive to meeting the Actuarial Assumption and before making any decisions relative to Fund Performance the Committee must look forward.

Mr. Turner pointed out that the Fund has changed its Portfolio Composition by increasing Equities and decreasing Fixed Income and Short Term Securities. He indicated that the Equity Rate of Return for the Fund over the last 5½ years was +2.20% as compared to the Dow Jones Industrials of +7.62% and Standard & Poors 500 at +6.03%. The Equity Rate of Return for the past quarter was +2.24% as compared to Standard & Poors at +2.46 and Dow Jones Industrials at +1.35%. Further, the relative ranking of the Fund as compared to other funds in the Callan Sample indicating for a one year period prior to June 30, 1976, we ranked 146 out of 160 funds. He then pointed out the Equity Performance during Market Cycles since December of 1970 indicating the Fund performs well during rising market and poorly during declining market. He further indicated that during the rising market since September 1974 the Fund's Equity Performance ranked 96 out of 159 funds in the Callan Sample.

Mr. Turner referred to the Fixed Income Portfolio of the Fund over the last 5½ years has performed at an average of +7.10%, and pointed out that after 5 years the Fund ranked

1 out of 47 funds in Callan Sample as far as Fixed Income Securities. He then reviewed the last years performance ending June 30, 1976 pointing out the Rate of Return was at +11.12%.

Mr. Turner made an observation that Continental has been restructuring the Portfolio.

During Mr. Turner's presentation, Mr. Kole asked if rates of return reflect all unrealized losses. Mr. Turner answered in the affirmative.

Mr. Turner continued his presentation by referring to the Portfolio Audit Section titled, "Discrepancies." Mr. Leszinske interjected by stating that the Continental will review all discrepancies and report at the next meeting.

Mr. Turner then referred to a report titled, "Portfolio Audit Summary" pointing out that during the last quarter Continental had to make investment decisions on over \$6,000,000.00 and the rate of return for the Total Portfolio for the quarter ending June 30, 1976 was +1.89% and over the last six (6) quarters ending June 30, 1976 was 30.68%. He further pointed out that the Fund outperformed the Actuarial Assumption over the last six (6) quarter period. He further pointed out that the Equity Portfolio performed at +40.94 over the last six (6) quarters.

Mr. Turner made the observation that the Fixed Income Portfolio outperformed the Equity Portfolio.

Each Committee Member was given their personal copy of the Callan Associates, Inc. Reports, dated August 16, 1976. A copy of these reports are part of the Committee's records in

the Secretary's Office. Mr. Turner concluded his presentation at 11:00 A.M. and he, Messrs. Funk and Leszinske left the meeting.

The Chairman asked for the approval of the Minutes of the 327th Meeting, held July 19, 1976.

On a motion by Mr. Mullen, seconded by Mr. Kole, the Minutes of the 327th Meeting, held July 19, 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 six (6) Survivorship Options for approval at this meeting. On a motion by Mr. Langosch, seconded by Mr. Tiffy, the Committee unanimously approved the six (6) Survivorship Options submitted by the Secretary.

The Secretary advised that fifteen (15) Applications for Retirement were submitted for approval at this meeting. On a motion by Mr. Tiffy, seconded by Mr. Hill, the Committee unanimously approved the fifteen (15) applications submitted by the Secretary.

The Secretary reported that during the month, eight (8) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented forty-one (41) refunds totaling \$199,442.91 for approval at this meeting. On a motion by Mr. Kole, seconded by Mr. Langosch, the refunds to be paid August 31, 1976, as per the attached statement, were unanimously approved.

The Secretary read a report of deposits, disburse-

ments and investments during the month of June, as per the attached statement.

The Secretary presented the Chicago Transit Authority bills totaling \$12,117.00 and Miscellaneous Bills totaling \$96,468.04. On a motion by Mr. Langosch, seconded by Mr. Kole, the Committee unanimously approved payment of these bills.

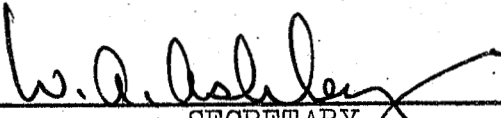
The Secretary reported that for the payment of August 31, 1976, Death Benefits numbering twenty-seven (27) and amounting to \$45,500.00 were submitted for approval. On a motion by Mr. Tiffy, seconded by Mr. Kole, the Committee unanimously approved payment for Death Benefits, as per the attached list.

The Secretary reported that Mr. Herschel R. Harris, approved for Total and Permanent Disability on June 1, 1976, returned to duty on August 1, 1976 and his application withdrawn.

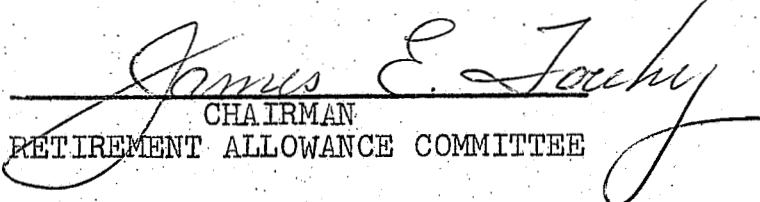
The Secretary advised that Mr. Barley had communicated with his office relative to the September 20, 1976 Retirement Allowance Committee and the conflict with the Union Convention to be held in Springfield, Illinois. After general discussion by the Committee, Messrs. Touhy and Hegarty indicated that they would be available for the September 20th Meeting and Mr. Tiffy indicated that he would ensure that his alternate be present. In view of the fact that a quorum of union members would be present, it was unanimously agreed that the September Meeting be held on its regularly scheduled

date and time.

On a motion by Mr. Tiffy, seconded by Mr. Hegarty,
the Committee unanimously agreed to adjourn at 11:14 A.M.



SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED: SEP 20 1976