

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 363rd Meeting of the Retirement Allowance Committee was held on Tuesday, February 20, 1979, in the Executive Director's Office, Room 734, Merchandise Mart, and the following were in attendance:

| | |
|-----------------|---------------------|
| Mr. W. Ashley | Mr. S. Miller |
| Mr. R. Goldman | Mr. T. O'Mahony |
| Mr. P. Kole | Mr. W. Spears |
| Mr. E. Langosch | Mr. J. Weatherspoon |

Mr. T. Hill, alternate for Mr. S. Bianchi, Mr. L. Wool, alternate for Mr. E. Brabec, were also present. Messrs. J. Bidwill, C. Hall, C. Heatter, F. Mullen, L. Morris were also present. Messrs. E. Hamilton and W. Leszinske of Continental Bank were also present. Mr. M. Freydl of Callan Associates, Inc. was also present. Mr. Richard W. Burke, the Plan Attorney, was also present.

The Chairman called the meeting to order at 10:40 A.M.

Mr. W. Leszinske circulated a letter, dated February 20, 1979, titled "January Market Summary" and reviewed the report.

Mr. M. Freydl of Callan Associates, Inc. reviewed a report, dated September 30, 1978. Mr. Freydl reviewed such items as, Objectives of the Fund, Performance, Diversification, Equity Issues, Equity Purchases and Sales, Brokerage and Investment Style Analysis.

Mr. Freydl indicated that the Committee should be pleased with the performance of the Retirement Fund for the nine (9) month period ending September 30, 1978.

Mr. Freydl noted that E. W. Axe and Putnam were the two investment advisors that were varying substantially from the investment styles they were hired to emulate.

Mr. Freydl concluded his presentation at 11:12 A.M. A copy of the Callan Associates, Inc.'s Report, dated September 30, 1978, was given to each Committee Member and there is one on file in the Secretary's Office.

Messrs. Hamilton, Leszinske and Freydl left the meeting at 11:12 A.M.

The Chairman asked for approval of the Minutes of the 362nd Meeting, held January 19, 1979.

On a motion by Mr. Spears, seconded by Mr. Kole, the Committee unanimously approved the Minutes of the 362nd Meeting, held January 19, 1979.

The Secretary made the announcement of deaths reported since the last meeting, as per the attached list.

The Secretary submitted five (5) Survivorship Options for approval. On a motion by Mr. Spears, seconded by Mr. Langosch, the Survivorship Options, as submitted, were unanimously approved.

The Secretary advised that there were twenty-six (26) Applications for Retirement submitted for approval.

On a motion by Mr. Kole, seconded by Mr. Spears, the Committee unanimously approved the twenty-six (26) Applications for Retirement.

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

The Secretary presented twenty-six (26) refunds totaling \$112,700.79, for approval at this meeting.

On a motion by Mr. Spears, seconded by Mr. Goldman, the refunds to be paid February 28, 1979, as per the attached statement, were unanimously approved.

The Secretary presented a Report of Deposits, Disbursements and Investments for the month of January, 1979. Mr. Hall pointed out that on the Statement of Deposits, Disbursements and Investments - Contributions from Employees had a zero amount. The Secretary indicated that it appeared that Compensation and Capital, Inc. lump all contributions on the line titled Contributions from Employer. The Secretary indicated that he would verify this and report to the Committee next meeting.

The Secretary presented the Chicago Transit Authority Bills, totaling \$17,482.39, and other bills, totaling \$197,048.30 for approval.

On a motion by Mr. Spears, seconded by Mr. Langosch, the Committee unanimously approved payment of these bills.

The Secretary presented for payment on February 28, 1979, Death Benefits numbering thirty-six (36) and amounting to \$84,000.00. On a motion by Mr. Kole, seconded by Mr. Spears, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary presented the Statement of Financial Position for the Retirement Fund. A discussion ensued and the Committee recommended that the Statement, as prepared by Continental Bank, be centered underneath the Alternate Committee Member's names.

On a motion by Mr. Miller, seconded by Mr. Langosch, the format of the Statement of Financial Position was unanimously approved by the Committee.

Mr. O'Mahony recommended that the Secretary's Office send the IBM card which indicated amount of accumulated contributions and interest to each employee.

The Secretary responded by indicating that the Benefacts Statement reports the accumulated contributions and interest.

Mr. O'Mahony questioned why the Benefacts Reports were sent out late in 1978.

The Secretary responded by indicating that it was due to the fact that all labor contracts were not accepted until late in 1978, and it would be foolish to issue the statements with outdated benefits information.

Mr. O'Mahony made a motion to send the IBM card to each employee, the motion was not seconded, the motion was not approved.

Mr. Spears raised the question concerning the mandatory retirement age being changed from age 65 to age 70.

Mr. Burke responded by indicating that he discussed this matter with Mr. Martin Burns, 308's Attorney. Mr. Burke's position, as the attorney for the Retirement Allowance Committee, is that the Federal Law changing the mandatory retirement age from age 65 to age 70 does not effect the Retirement Plan for Chicago Transit Authority Employees until December 1, 1979 due to the fact that the collective bargaining agreement of 1977 was an extension of previous bargaining agreements without substantial changes. Mr. Burn's position was that the 1977 collective bargaining agreement had substantial changes and the Retirement Plan was subject to change. After further discussion, Mr. Burke and Mr. Burns agreed that the issue was academic due to the fact that no employee has requested an extension after age 65 and there is a procedure whereby an employee can be extended after

age 65.

Mr. Spears indicated that he would not want to be a party of a suit filed by an employee contesting the mandatory age 65 requirement in view of the Federal Legislation.

Mr. Burke responded that an employee could not file a damage suit unless he could prove that he made an application for an extension of employment after age 65 and that extension was denied.

Mr. Hall recommended that the amendment to the Plan, effective December 1, 1979, changing the mandatory retirement age from 65 to 70, be announced to all employees.

Mr. Burke agreed and indicated he will discuss this matter with Mr. Edward Egan, General Attorney of the Chicago Transit Authority.

Mr. O'Mahony brought up the question of Reciprocity of Pension Credits between Governmental Agencies.

The Secretary responded by indicating that there is no reciprocity in pension credits when an individual is employed with the Authority after working with another governmental agency. The Secretary indicated that the Retirement Plan does not provide for reciprocity.

Mr. O'Mahony expressed his concern relative to reciprocity and stated he would be interested in comparing pension calculations prepared for an employee with three (3) years of service and an employee with twenty (20) years of service. The Secretary indicated that he would have calculations prepared and review them with Mr. O'Mahony.

The Secretary presented the interest factor to be used for Plan Year January 1, 1978 to December 31, 1978 to be applied to contributions up to December 31, 1977. The Secretary advised that the gross income for the Plan Year ending December 31, 1977, including

interest earned and net gains and losses of sales of securities, was \$1,228,481.82. The net income for the aforementioned Plan Year, after deducting \$1,098,658.39 for expenses during the Plan Year, was \$129,823.43. Using the formula set forth in Paragraph 15.6 of the Plan, the interest earned based on the net income, was .052%.

On a motion by Mr. Kole, seconded by Mr. Miller, the Committee unanimously approved the setting of the interest rate at .03% on employee contributions for Plan Year ending December 31, 1978 in accordance with the maximum amount to be applied to total contributions up to December 31, 1977.

Mr. Kole indicated that in future negotiations, consideration should be given to include unrealized gains in the interest computation or changing the method of computing the interest factor.

The Secretary indicated that Mr. Burke will be making recommendations to the Committee in the future to clarify verbage of Retirement Plan and to modify certain sections of the Plan, of which the interest factor is one, for consideration for inclusion in the next collective bargaining negotiations.

The Secretary reported that Mr. John W. Whitsell, D-1972, was approved for Total and Permanent Disability, effective November 1, 1977, returned to duty on January 18, 1979 and on February 2, 1979 the Secretary's Office received indication that Mr. Whitsell was found unfit. The Secretary's Office is in the process of obtaining a statement from Mr. Whitsell's attending physician in order to make a determination as to Mr. Whitsell's status.

The Secretary reported that on December 15, 1978, Mr. Louis Wade, D-2010, was found fit for duty by his own attending physician and on January 11, 1979, was found fit by the Committee's physician.

On January 31, 1979, Mr. Wade responded to an appointment in the Placement Department for a position of Ticket Agent. Mr. Wade took the examination for a Ticket Agent position and failed. He was then referred to the Transportation Department for the position of surface janitor. Mr. Wade, at this point, indicated that his physician indicated that he was not fit for work.

A discussion ensued by the Committee Members relative to this matter. A motion was made by Mr. Kole that a physician's statement be obtained from Mr. Wade's attending physician and, if necessary, be reviewed by a third physician. If Mr. Wade is found unfit, his February 28, 1979 check should be released. The motion was seconded by Mr. Miller and unanimously approved by the Committee.

The Secretary reported that Mr. Billy G. Sanders, D-2021, was examined for the purpose of determining eligibility for Disability Retirement, effective February 1, 1979. The Medical Director reported that Mr. Sanders' illness was diagnosed as schizophrenia. He also indicated that he does not expect any improvement in this man's condition as Mr. Sanders refuses the medical therapy recommended by his doctor.

Mr. Burke indicated that, in accordance with the Retirement Plan, Mr. Sanders was found unfit for work by the Committee's physician and satisfied the requirements of the Retirement Plan so he is, in fact, eligible for disability retirement; the Committee cannot force the man to go to the doctor.

The Secretary reported that Mr. Charles Johnson, D-1952, was found fit to return to duty. The Placement Department is in the process of placing Mr. Johnson in a position.

In response to an inquiry by Mr. Hegarty at last meeting, the Secretary reported that Mr. Reed's last day of work was May 25, 1978, he was placed in Area 605 on June 15, 1978, and on November 25, 1978, he fell between cars on a North-South train and lost a leg. Mr. Reed had not worked since May 25, 1978.

The Secretary reported that Mr. Henry L. Taylor was reinstated on December 27, 1978 and on January 30, 1979 reimbursed the Retirement Fund a total of \$4,889.25.

Mr. Richard Burke, the Plan Attorney, reported that the Penn Central case has been dismissed after the Chicago Transit Authority and other parties involved did not accept a settlement offered by the Continental Bank.

Mr. Burke indicated that Mr. Gordon, the attorney handling the case, indicated he will be appealing the case and was not optimistic relative to the outcome of the appeal.

The Secretary advised the Committee Members of the pass out material indicating that updated insurance policies are being sent to retired employees.

There being no further business, on a motion by Mr. Miller, seconded by Mr. Kole, the Committee unanimously agreed to adjourn at 1:23 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED _____