

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 365th Meeting of the Retirement Allowance Committee was held on Monday, April 16, 1979, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. S. Bianchi	Mr. S. Miller
Mr. R. Goldman	Mr. W. Spears
Mr. P. Kole	Mr. J. Weatherspoon

Mr. J. Edwards, alternate for Mr. O'Mahony, Mr. C. Heatter, alternate for Mr. W. Ashley, Mr. L. Wool, alternate for Mr. E. Brabec, were also present. Neither Mr. E. Langosch, nor his alternate, was present. Messrs. M. Brennan, C. Hall, H. Hegarty, L. Morris and F. Mullen were also present. Messrs. L. Ginnegaw, E. Hamilton, J. Lentgis and W. Leszinske of Continental Bank were also present. Messrs. K. Brunke, M. Freydl and P. Norton of Callan Associates, Inc. were also present.

The Chairman called the meeting to order at 10:35 A.M.

Mr. Heatter advised the Committee that Mr. Ashley was on vacation and it would be necessary to appoint a Secretary Pro Tempore.

On a motion by Mr. Kole, seconded by Mr. Spears, the Committee unanimously appointed Mr. Heatter the Secretary Pro Tempore.

The Chairman asked for approval of the Minutes of the 364th Meeting, held March 19, 1979.

On a motion by Mr. Miller, seconded by Mr. Kole, the Committee unanimously approved the Minutes of the 364th Meeting, held March 19, 1979.

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

The Secretary submitted two (2) Survivorship Options for approval. On a motion by Mr. Edwards, seconded by Mr. Kole, the Survivorship Options were unanimously approved as submitted.

The Secretary advised that there were eighteen (18) Applications for Retirement submitted for approval.

The Secretary advised the Committee that among the applications was one for Mr. John Collins. The Secretary indicated that his office received a letter from Mr. Joseph Repplinger, Manager of Maintenance, requesting that Mr. Collins' retirement be made retroactive to April 1, 1979. Mr. Collins was unable to fill out his application in time for an April 1, 1979 retirement because of illness.

On a motion by Mr. Goldman, seconded by Mr. Kole, the Committee unanimously approved the eighteen (18) Applications for Retirement, which included Mr. John Collins' application retroactive to April 1, 1979.

The Secretary reported that during the month, five (5) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented forty-four refunds, totaling \$322,472.65, for approval at this meeting.

The Secretary reported that among the refunds was one for Mr. Gerry Williams, Beneficiary, who Mr. Richard W. Burke will comment on at the next meeting.

On a motion by Mr. Kole, seconded by Mr. Spears, the refunds to be paid April 30, 1979, as per the attached statement, were unanimously approved.

The Secretary presented a Report of Deposits, Disbursements and Investments for the month of March, 1979.

The Secretary presented the Chicago Transit Authority bills, totaling \$36,506.54, and other bills totaling \$154,261.94, for approval.

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

The Secretary presented for payment on April 30, 1979, Death Benefits numbering forty-two (42) amounting to \$88,000.00. On a motion by Mr. Kole, seconded by Mr. Spears, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary reported that Mr. Louis Wade, D-2010, was found fit for the position of Station Janitor and the Placement Section is attempting to find an open position. The Secretary stated that Mr. Wade is eligible to receive Disability Benefit Payments up to the date of placement.

The Secretary presented a letter prepared by the Plan Attorney, Mr. Richard W. Burke, titled "The Effect of 1978 Amendment to the Age Discrimination in Employment Act Upon the Chicago Transit Authority Retirement Plan." The Secretary indicated that the letter was prepared at the request of Mr. Spears.

The Secretary read the following opinion by Mr. Burke to the Committee: "Hence, it is my opinion that the 1978 Amendments are effective upon the union employees of the CTA on December 1, 1979 when the present agreement terminates. However, if the present agreement does not terminate but is further amended to the same extent as occurred in December, 1977, the 1978 Amendments are effective upon the union employees of the CTA January 1, 1980." "From the present date to the effective date of the 1978 Amendments upon CTA union employees, I direct your attention to the CTA Policy which permits an employee to continue to work beyond the present normal retirement age of 65 if the employee has demonstrated an ability and willingness to perform the requested services."

Mr. Spears asked if Mr. Ernest Clanton, rail janitor, was extended.

The Secretary responded in the affirmative.

The Secretary reported that Mr. John Conlon retired from the Chicago Transit Authority on January 1, 1974 and commenced to receive retirement benefits of \$556.49. Subsequently, a retirement plan contract was ratified and as a result the Survivorship B Option was offered to all employees retiring on or after January 1, 1974. Mr. Conlon, in fact, made an application for Survivorship Option B One-Half ($\frac{1}{2}$) by which he elected to receive a reduced monthly retirement allowance benefit during his lifetime. Because of Mr. Conlon's election, his monthly benefit should have been \$458.88 per month, rather than \$556.49. Through an oversight, his monthly benefit was not reduced. Hence, during retirement, he received the sum of \$5,954.21 (61 months x \$97.61) to which he was not entitled.

The Secretary has reviewed the case with Mr. Richard Burke, the Plan Attorney, and he recommended that the \$5,954.21 overpayment be paid as follows:

The \$4,000 Death Benefit under the Plan be applied to the \$5,954.21.

The Survivorship Option Benefit due to Mrs. Conlon of \$229.44 would commence November 30, 1979 and would be paid for each month thereafter.

The first Survivorship Option Benefit of \$110.75 would be paid for the month of October 30, 1979.

The Secretary has written to Ms. Conlon and she has agreed to the aforementioned proposal.

On a motion by Mr. Kole, seconded by Mr. Bianchi, the Committee unanimously agreed to the processing of the John Conlon case.

The Secretary reported that Messrs. Johnny D. Blanks and Kenneth J. Brucker failed to reimburse the Retirement Fund under Rule 21 of the Retirement Plan and will be considered only as a new employee for Retirement Plan purposes from the date of return to work.

The Secretary reported that Mr. Herbert Profit, Jr., reinstated on March 21, 1979, had withdrawn contributions from the Retirement Fund and under Rule 21 of the Retirement Plan has 90 days to reimburse the Fund in order to retain his Pension Plan Seniority and Credit. The Secretary indicated that the 90 day period ends on June 21, 1979.

The Secretary reported that on March 27, 1979 the Investment Subcommittee met to review the variance in the new money manager's performance between the CTA Funds and the Mutual Funds.

The Secretary called the Committee's attention to pass-out material which depicted the variance between the Axe-Houghton Mutual Fund and the CTA Separate Fund (which should be emulating the Axe Houghton Mutual Fund) and pointed out that for the year ended 1978 the Mutual Fund outperformed the CTA Separate Fund by 7.73%. The Secretary also referred the Committee's attention to the second and third page, which depicted the variance of the T. Rowe Price - Growth and T. Rowe Price - New Horizons, Mutual Funds to the CTA, T. Rowe Price - Growth and T. Rowe Price - New Horizons Separate Funds indicating that both Mutual Funds outperformed the CTA Separate Funds by 5.39% and 4.70% respectively.

The Secretary reported that the Investment Subcommittee reviewed the variance in performance and it was agreed to recommend to the Committee that new contributions be directed to money managers who are managing their separate funds in a manner in which there is a variance between the separate fund and mutual funds and that direction of contributions be made in accordance with Mr. Robert Harrell's recommendation.

Mr. Kole indicated the Investment Subcommittee consisted of himself, Messrs. Miller, Spears and Weatherspoon.

Mr. Kole made the motion to direct new contributions for the purchase of Mutual Funds in accordance with recommendations of Mr. Robert Harrell, Investment Consultant, of Lowry, Raclin, Harrell and Howerdd.

Mr. Edwards asked what amount of contributions would be invested on a monthly basis. The Secretary responded by indicating approximately 2.5 million dollars net of benefit payments.

Mr. Edwards asked what percent of the net contributions will be allocated to each money manager.

Mr. Hamilton of Continental Bank responded by indicating, in accordance with Mr. Harrell's recommendation, 30% will be allocated to the Continental Bank's Fixed Income Fund and the remaining 70% will be divided between the Axe Houghton Stock Fund and the two T. Rowe Price Funds.

Mr. Edwards asked if the direction of new contributions to the Mutual Fund will be on an experimental basis and be subject to review in six months.

Mr. Kole responded by indicating that the direction of new contributions will be subject to review in six months.

Mr. Bianchi asked if the Mutual Funds consistently outperformed the CTA Separate Funds in the future would the Committee recommend the transfer of funds from the Separate Funds to Mutual Funds.

Mr. Kole responded in the affirmative.

Mr. Miller seconded the motion to direct new contributions to the Mutual Funds in accordance with Mr. Harrell's recommendation and with the understanding that this will be reviewed in six (6) months. The Committee unanimously agreed to the motion.

Mr. Kole indicated that Mr. Brabec was recently hospitalized and made a motion that the Secretary's Office write a letter to Mr. Brabec expressing best wishes for a speedy recovery.

The motion was seconded by Mr. Spears and unanimously approved by the Committee.

The Secretary reported that the 1979 Condensed Financial Statements are being finalized for distribution within the next two weeks.

Mr. Kole asked if the Committee could review the statement before distribution. The Secretary directed Mr. Brennan to obtain copies of the statement for the Committee's review.

Mr. William Leszinske of Continental Bank referred the Committee to and reviewed a report titled "March Market Summary" and a Point to Point Report on Fund "E".

Mr. Leszinske reported that for the period December 29, 1978 to March 30, 1979, the Dollar Weighted Percent Change for Fund "E" was 6.44% as compared to the Dow Jones Industrials' at 7.10% and the S & P Composite Average at 5.70%.

Mr. Leszinske introduced Mr. Larry G. Ginnegaw of Continental Bank, who assists in the management of the Real Estate Fund in which the CTA Retirement Fund participates.

Mr. Ginnegaw reviewed a report that was presented to each Committee Member which provided details on the Real Estate Fund in which the Retirement Fund is currently participating. He also presented slides of the holdings in the Real Estate Fund and gave a brief insight into each property. Mr. Ginnegaw concluded his presentation at 11:15 A.M.

Mr. M. Fredyl of Callan Associates, Inc. introduced Mr. P. Norton and Mr. K. Brunke of his staff to the Committee.

Mr. Fredyl began his presentation by referring the Committee to a sheet titled "Time-Weighted Rate of Return" and he provided the Committee with a definition of Time-Weighted Rate of Return.

Mr. Fredyl continued his presentation by reviewing a report for the period ended December 31, 1978. He reviewed such topics as; Investment and Actuarial Objectives, Investment Manager and Total Fund Performance, Relative Performance, Diversification, Equity Issues, Brokerage, and Investment Style Analysis.

The Secretary asked if Time-Weighted Rates of Returns were net of Investment Management Fees. Mr. Fredyl responded in the affirmative.

Mr. Kole asked how large the data base was for relative comparative purposes. Mr. Fredyl responded by indicating forty-five (45) Taft Hartley Funds.

The Secretary asked if it was possible to compare the CTA Separate Funds to the Mutual Funds which are being emulated. Mr. Fredyl responded in the affirmative.

Mr. Fredyl concluded by indicating that in his opinion 1978 was a good year for the CTA Retirement Fund.

Mr. Spears asked if the Funds' Actuarial Assumption was low. Mr. Fredyl responded by indicating it was in the range of Funds similar to CTA's Fund.

Mr. Fredyl concluded his presentation at 11:45 A.M.

The Secretary presented the final draft of the Condensed Financial Statements to the Committee.

After general discussion, the Committee agreed to the finalized format and instructed the Secretary's Office to have them printed and distributed.

Mr. Hegarty asked if the 308 Board Members required an explanation of the Condensed Financial Statement would Mr. Heatter be available to provide an explanation. Mr. Kole responded in the affirmative.

Mr. Heatter indicated he would like advance notice of the presentation in order to make arrangements to have the Retirement Fund's Auditor attend.

Mr. Weatherspoon asked if Mr. Burke would be at the next meeting. The Secretary indicated that as far as he knew Mr. Burke would be in attendance at the next meeting.

Mr. Kole asked if the Condensed Financial Statements would be sent to the retired employees.

After general discussion, the Committee indicated that the reports will not be distributed to retired employees, but be given to a retired employee on request.

There being no further business, on a motion by Mr. Edwards, seconded by Mr. Spears, the Committee unanimously agreed to adjourn at 12:10 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED _____