RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 367th Meeting of the Retirement Allowance Committee was held on Monday, June 18, 1979, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. W. Ashley	Mr. S. Miller
Mr. R. Goldman	Mr. W. Spears
Mr. P. Kole	Mr. J. Weatherspoon
Mr. E. Langosch	

Mr. J. Edwards, alternate for Mr. T. O'Mahony, Mr. T. Hill, alternate for Mr. S. Bianchi, and Mr. L. Wool, alternate for Mr. E. Brabec, were also present. Messrs. J. Bidwill, C. Heatter, H. Hegarty, D. Kane, and L. Morris were also present. Messrs. E. Hamilton and W. Leszinske of Continental Bank were also present. Mr. R. Burke, the Plan Attorney, was also present.

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

Mr. W. Leszinske, of Continental Bank, referred the Committee to and reviewed a report titled "May Market Summary."

Mr. Leszinske reported that the Continental Bank has committed 11 million dollars to fixed income investments yielding over 9 per cent. This commitment was a result of economic indicators pointing to a slowdown in the economy and a decrease in interest rates. Mr. Leszinske pointed out that there recently has been a sharp decline in durable goods of approximately 8% and that Consumer Price Index has been flat since the end of 1978.

Mr. Hill indicated that the Morgan Trust Bank has recently announced that they were reducing their Prime Rate from 11-3/4% to 11-1/2%, he asked if Continental was lowering their Prime Rate. Mr. Leszinske responded by indicating that Continental followed Morgan's lead and reduced their Prime Rate from 11-3/4% to 11-1/2%.

Mr. Hamilton and Mr. Leszinske left the meeting at 10:50 A.M.

The Chairman asked for approval of the Minutes of the 366th Meeting, held May 21, 1979.

On a motion by Mr. Goldman, seconded by Mr. Kole, the Committee unanimously approved the Minutes of the 366th Meeting, held May 21, 1979.

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

The Secretary submitted three (3) Survivorship Options for approval. On a motion by Mr. Kole, seconded by Mr. Spears, the Survivorship Options were approved as submitted.

The Secretary advised that there were nineteen (19) Applications for Retirement submitted for approval.

On a motion by Mr. Langosch, seconded by Mr. Kole, the Committee unanimously approved the nineteen (19) applications for Retirement.

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

The Secretary presented twenty-two (22) refunds, totaling $80,355.05, for approval at this meeting.

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

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

The Secretary presented the Chicago Transit Authority bills, totaling $17,036.37, and other bills, totaling $151,747.23, for approval.

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

The Secretary presented, for payment on June 30, 1979, Death Benefits numbering thirty-eight (38) and amounting to $68,500.00. On a motion by Mr. Langosch, seconded by Mr. Goldman, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary presented a letter from Callan Associates, Inc. requesting an increase in fees for the performance monitoring and detail audit of the Retirement Fund. The Secretary pointed out that in the future they will include audit of new mutual fund accounts and add mutual funds to measurement service. The Secretary reported that the annual fee will increase from $36,000 to $57,866 on a directed brokerage basis, from $27,000 to $43,400 on a cash basis. The Secretary recommended that the Callan Associates, Inc.'s services be continued and the increase in fee be approved. He further recommended that the fee be paid on a cash or directed commission basis.

Mr. Kole concurred with the Secretary's recommendation and pointed out the value to the Committee of the information furnished by Callan Associates, Inc.

On a motion by Mr. Kole, seconded by Mr. Hill, the increase in the Callan Associates, Inc.'s fee was approved with the understanding it will be paid on a cash or directed brokerage basis.

The Secretary circulated a copy of a procedure titled "Retirement Contributions by Those Occupying Full and Part-Time Positions with the Association or Its' International Office of Any Other Bargaining Agent." The Secretary asked if the Committee had any questions concerning the new procedure. A discussion ensued between Committee Members as to the need for the procedure. The Secretary responded by indicating that it is needed because Local 241 is not remitting contributions for union officials in accordance with the provisions of the Retirement Plan.

Mr. Edwards suggested that before the Committee acts on this procedure, Mr. Hall review the procedure and discuss it with the Secretary's Office as he is responsible for remitting union official contributions from Local 241.

Mr. Weatherspoon indicated that he will have Mr. Hall contact Mr. Ashley's Office prior to next meeting.

The Committee agreed to hold this matter in abeyance until next meeting.

The Secretary advised the Committee that it will be necessary to appoint an Actuary and Auditor for Plan Year 1979. The Secretary recommended that because of satisfactory performance, The Wyatt Company be named Actuary and the Arthur Young Company be named Auditor for the Plan Year 1979.

On a motion by Mr. Edwards, seconded by Mr. Kole, the Committee unanimously approved The Wyatt Company as Actuary and the Arthur Young Company as Auditor for the Plan Year 1979.

The Secretary called on Mr. Richard Burke, the Plan Attorney, to explain a new rule that is being proposed relative to the accounting of the Retirement Fund.

Mr. Burke advised the Committee that, "Recently it came to our attention that the Retirement Plan Committee maintains two reserve accounts that relate to persons unknown or who cannot be located: A reserve account for beneficiaries of deceased pensioners containing approximately $20,000 whereunder the beneficiaries cannot be located and a reserve account for refunds to employees who cannot be located containing approximately $35,000. I write to you in regard to the above-described reserve accounts and their susceptibility to being attached by Cook County or another Illinois county under the Escheat Law or by the State of Illinois under the Abandoned Property Act."

"The Illinois Escheat Law (Chap. 49, Ill. Rev. Stat., Section 1, et seq.) and the Illinois Probate Act (Chap. 110-1/2, Ill. Rev. Stat., Section 2-1, et seq.) provide in effect that the property owned by any person who dies leaving no known heirs or representatives who are capable of inheriting the property shall escheat, that is, be forfeited, as provided pursuant to the terms of the Probate Act. With respect to such property, the Probate Act provides that such property shall be forfeited to the county in which the decedent was a resident, or if the decedent was not a resident of Illinois, the property shall be forfeited to the county in which the property is located. From an administrative point of view, the public administrator is authorized to open an estate for a decedent who has no known heirs and then to distribute the assets of the estate ultimately to the county or state, depending upon the nature of the asset. I am apprehensive that the reserve for beneficiaries who cannot be located of deceased pensioners might be challenged by a county government as being escheated property, for there are no known heirs to step forward."

"I am also apprehensive that the reserve for refunds for employees who cannot be located might be claimed by the State of Illinois as being abandoned property. Abandoned property is property of which no individual claims ownership and which remains in that position, namely, unclaimed, for seven years. If the asset is abandoned property, the Retirement Committee is obligated to file an annual report with the State of Illinois describing the abandoned property and thereby calling it to the attention of the State."

"I am advised that during the past four to five years, at the suggestion of the Retirement Plan auditors, withdrawals have been made from the two accounts of those monies which have remained in the accounts for five years. These funds are then deposited into the general Retirement Plan. For example, last December the amount of approximately $4800.00 was withdrawn from the first reserve account and deposited into the general Retirement Plan funds. The auditors have suggested further that the holding period for these unclaimed reserves be extended to six years. There is, however, no authority under the Retirement Plan or the beneficiary designation form currently in use which authorizes this practice."

"In order to prevent these reserve accounts from escheating to a county or being viewed as abandoned property by the State, I recommend to you that the parties to the Retirement Plan give serious consideration to amending Sections 13 and 15 or to adding a new rule to provide that, if a beneficiary of a deceased pensioner cannot be located within a specified period of time or such other reasonable time as the Committee may from time to time set, the funds on deposit will be paid to the then known heirs at law of the deceased pensioner, but if said heirs at law cannot be located within a specified period of time, said funds will be retained by the Retirement Plan without any further claim by any party whatsoever. A similar provision would be made in regard to refunds to employees; if the employee cannot be located within a specified period of time or such other reasonable period of time as the Committee may set from time to time, the refund will be made to the then known heirs at law of the employee, but if they cannot be located within a specified period of time, the funds will then remain assets of the Retirement Plan without any further claim. Furthermore, such a general designation as to the route of disposition of the funds would be added as a blanket clause to our beneficiary designation form."

The Secretary recommended that in view of Mr. Burke's opinion, it was recommended that a Rule 23 be adopted by the Committee as follows:

<u>Rule 23</u>

In the event that a former employee or beneficiary designated by an employee does not claim the benefits due hereunder to said former employee or beneficiary within a period of three years after the benefits became due and payable, said former employee or beneficiary so designated shall have no further claim to said benefits and the Committee shall distribute said benefits to the heirs at law, if any, of said former employee. If the heirs at law of said former employee do not claim said benefits within a period of four years after the benefits first became due and payable to the former employee or his designated beneficiary, the benefits shall become assets of the Retirement Plan without being subject to further claim by the heirs at law of the former employee or any governmental body.

Messrs. Edwards and Spears indicated their concern about a beneficiary who would make a claim after a four year period. Mr. Burke responded that under this new rule the claim would not have to be honored. Messrs. Edwards and Spears asked if consideration could be made to honor those claims if made after four years. Mr. Burke responded affirmatively and the Secretary indicated that he would advise the Committee of any claim after a four year period.

On a motion by Mr. Wool, seconded by Mr. Edwards, the Committee unanimously approved Rule 23.

The Secretary advised the Committee that Mr. Nick G. Azzarello, whose application and survivorship option were both approved at the last meeting for a June 1, 1979 retirement, withdrew his application. The Secretary indicated that Mr. Azzarello's normal retirement date was June 1, 1979, but indicated that he wanted to continue employment after his normal retirement and submitted an Application for an Extension. The Secretary indicated that Mr. Azzarello changed his mind in June and made an application for a July 1, 1979 retirement which was approved at this meeting along with his survivorship option.

The Secretary indicated that he received a letter from Mr. Langosch requesting a written explanation of the Rate of Interest Applied to Employee Contributions. The Secretary distributed to each Committee Member a letter which explained the "Rate of Interest Applied to Employee Contributions."

A discussion ensued between the Committee Members relative to the letter. Mr. Hill indicated that the letter should be written in a manner which could be easily understood by an employee. The Secretary recommended that Mr. Hill rewrite the letter and present it to the

Committee at the next meeting. The Committee agreed that the letter should be written as a letter from the Committee.

There being no further business, on a motion by Mr. Wool, seconded by Mr. Hill, the Committee unanimously agreed to adjourn at 11:30 A.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED