

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 368th Meeting of the Retirement Allowance Committee was held on Monday, July 16, 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. T. O'Mahony
Mr. P. Kole	Mr. W. Spears
Mr. E. Langosch	Mr. J. Weatherspoon

Mr. L. Wool, alternate for Mr. E. Brabec, was also present.

Neither Mr. Bianchi, nor his alternate was present.

Messrs. J. Bidwill, R. Carson, J. Edwards, C. Hall, C. Heatter, D. Kane and L. Morris were also present. Messrs. E. Hamilton and W. Leszinske of Continental Bank were also present. Messrs. M. Fredyl and P. Norton of Callan Associates, Inc. were also present. Mr. R. Burke, the Plan Attorney, was also present.

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

Mr. Leszinske reviewed point to point measurements on both the Growth Index and Income Index Funds for the period from March 30, 1979 to June 29, 1979. He pointed out that the Dollar Weighted Percent Change for the Growth Index Fund for the period was +3.09% and the Income Index Dollar Weighted Percent Change was +1.56%. He indicated that this compared to the S&P 500 Dollar Weighted Percent Change of +1.30% and Dow Jones Industrials' -2.34%.

Mr. Leszinske continued his presentation by referring the Committee to and reviewing a report titled "June Market Summary."

Mr. Leszinske reported that the Continental Bank has committed 23 million dollars to fixed income investments yielding from 8.80% to 9.11% to maturity. He indicated that this commitment was made in anticipation of lower interest rates caused by a slowing economy.

Mr. Leszinske concluded his presentation at 10:41 A.M.

Mr. Mike Fredyl of Callan & Associates, Inc. made a presentation on the Retirement Fund for the quarter ending March 31, 1979. He reviewed the Fund's Investment and Actuarial Objectives, Year-to-Date Performance, Relative Performance, Diversification of the Fund, Equity Portfolio and Investment Styles of the Fund.

Mr. Fredyl indicated that the Fund is doing well on an overall basis and that the Committee should closely monitor E. W. Axe's future performance.

The details of Mr. Fredyl's report are found in the Callan Associates, Inc.'s Report, dated March 31, 1979. Each Committee Member was given a copy of the Callan Associates, Inc.'s Report and a copy is retained in the Secretary of the Retirement Allowance Committee's Office.

The Chairman asked for approval of the Minutes of the 367th Meeting, held June 18, 1979.

Mr. O'Mahony pointed out an error in the Minutes on page one, fifth paragraph, second sentence which reads,

"Mr. Leszinske pointed out that there has been a sharp decline in durable goods of approximately 8% and that the Consumer Price Index has been flat since the end of 1978." Mr. Leszinske indicated that it should read as follows: "Mr. Leszinske pointed out that there had been a sharp decline in durable goods which was centered in automobile sales and the Consumer Price Index continued to increase at a double digit rate."

On a motion by Mr. Miller, seconded by Mr. Kole, the Committee unanimously approved the Minutes of the 367th Meeting, held July 16, 1979, including the aforementioned correction.

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

The Secretary submitted fifteen (15) Survivorship Options for approval. The Secretary pointed out that among the three (3) Automatic A One-Half (1/2) Options was one for a Mr. Ollie J. Thomas, Sr. which was submitted by the Maintenance Department requesting that it be made retroactive to May 1, 1979. The Maintenance Department stated that it was their understanding that an employee needed to have ten (10) years of service to qualify for a Disability Retirement and as a result Mr. Thomas could not retire. Subsequently, the Secretary's Office pointed out that Mr. Thomas did not qualify for a Disability Retirement but he did qualify for an Early Retirement. The minimum requirement for Early Retirement is age 55 with three (3) or more years of service; Mr. Thomas was age 59 with over six (6) years of service.

On a motion by Mr. Kole, seconded by Mr. Spears, the Committee unanimously approved the Survivorship Options as submitted and accepted Mr. Thomas' retroactive May 1, 1979 Automatic A One-Half (1/2) Survivorship Option.

The Secretary advised that there were twenty-one (21) Applications for Retirement submitted for approval, which included one for Mr. Ollie J. Thomas, Sr., retroactive to May 1, 1979 for the reasons stated in the preceding paragraphs.

On a motion by Mr. Miller, seconded by Mr. Spears, the Committee unanimously approved the twenty-one (21) Applications for Retirement including Mr. Ollie J. Thomas, Sr. retroactive early retirement to May 1, 1979.

The Secretary reported that during the month, two (2) employees on Total and Permanent Disability were examined by the Medical Department or the records reviewed.

The Secretary presented thirty-four (34) refunds, totaling \$190,121.61, for approval at this meeting.

Mr. Spears brought up the question of whether or not refund checks are being held in the Secretary's Office. The Secretary advised that it is not the policy of his office to withhold refund checks and a delay in preparing the checks is usually a result of not receiving the final clearance from the Authority.

On a motion by Mr. Kole, seconded by Mr. Spears, the refunds to be paid July 31, 1979, as per the attached statement, were unanimously approved.

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

The Secretary indicated that for the month ended June 30, 1979 the Fund's Performance had substantial gains. He recommended that each Committee Member review the performance numbers of each manager as they are very good results.

The Secretary presented the Chicago Transit Authority bills, totaling \$15,604.87, and other bills, totaling \$148,383.18, for approval.

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

The Secretary presented, for payment on July 31, 1979, Death Benefits numbering twenty-eight (28) and amounting to \$63,000.00.

On a motion by Mr. Langosch, seconded by Mr. Kole, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary referred the Committee to a copy of a procedure in each Committee Member's Pass Out Material titled "Retirement Contributions by Those Occupying Full and Part-Time Positions with the Association or Its' International Office of Any Bargaining Agent."

The Secretary indicated that Mr. C. Hall has not met with Mr. Heatter on this procedure, as of this date. Mr. Hall responded

by indicating that he will meet with Mr. Heatter prior to the next meeting.

The Secretary recommended that this matter be held in abeyance until next meeting.

The Secretary reported that Mr. Herbert Profit, Jr. failed to reimburse the Retirement Fund within the 90 day period from the date of reinstatement in accordance with Rule No. 21 of the Plan; thus, Mr. Profit's rights under the Plan shall be only as a new employee. Mr. Wool recommended that the Secretary send a letter to Mr. Profit informing him of the above-mentioned facts. The Secretary indicated that he would send a letter informing Mr. Profit of this matter.

The Secretary circulated a letter titled "Interest on Employee Contributions and Investment Results." This letter was prepared in response to a request by Mr. Langosch, as a result of many inquiries from employees regarding the low rate of interest applied to employee contributions at the end of the Plan Year 1978.

A discussion ensued between Committee Members relative to the letter and it was agreed that the letter be circulated throughout the Authority and posted on bulletin boards. It was also agreed that any inquiries about the interest factor be directed to the Secretary's Office.

The Secretary reported that the Plan received a favorable determination letter from the Internal Revenue Service for all

amendments to the Pension Plan as a result of the last labor negotiations.

Mr. Kole advised the Committee of an arrangement recently made by Mr. Robert Harrell of Lowry, Raclin, Harrell and Howerdd which will avoid paying premium commission rates to broker-dealers.

The arrangement is one that provides each money manager with access to broker-dealers with the "best execution capabilities."

This arrangement provides the vehicle whereby Retirement Fund trades are executed at 7 and 8 cents/share depending upon volume instead of approximately 9.9 cents/share. The result of this arrangement would be a substantial savings to the Retirement Fund. The savings could be utilized to pay operational expenses of the Fund. For example, in 1978 the Retirement Fund generated commission expense of \$343,477.00 of which \$54,198.52 was utilized to pay a portion of the financial consultant fees of Callan and Associates, Inc. and Lowry, Raclin, Harrell and Howerdd through a directed brokerage arrangement. If trading had been done under the new arrangement, recently recommended by Robert Harrell, the fund would have reduced commission expenses by \$76,000 to \$109,000, which could have been utilized to pay a larger portion of the financial consultant fees.

Mr. Kole indicated that under this new arrangement the Retirement Fund will pay all consultant fees directly out of the Fund and no longer use the directed brokerage arrangement for payment of fees.

Mr. Hamilton indicated that in the bank's opinion this arrangement was acceptable provided it is done on a best execution basis. He further indicated that the bank will continually monitor future trades to ensure compliance to best execution.

In addition, Mr. Kole advised the Committee that Mr. Harrell has requested a change in his consulting fee arrangement. The new fee arrangement is based on the market value of the fund in accordance with the following schedule.

LOWRY, RACLIN, HARRELL & HOWERDD

FEE SCHEDULE

FIRST \$ 50 Million	-	.100 of 1%
NEXT \$200 Million	-	.015 of 1%
NEXT \$200 Million	-	.010 of 1%
NEXT \$400 Million	-	.005 of 1%

Mr. Kole indicated that this would be a substantial fee increase, although in his opinion Mr. Harrell's services have been and continue to be extremely valuable in successfully directing the investments of the Fund and appear to warrant an increase in fee.

In addition, Mr. Kole advised the Committee of a \$16,000 bill for services provided by Compensation and Capital, Inc. relative to the development of an automated Retirement Fund General Ledger and Financial Reporting System. Mr. Kole indicated that this service is very valuable as it will provide the Committee with any financial information as required in the future. He also indicated that Compensation and Capital, Inc. has also requested an increase

in their monthly fee from \$2,000 to \$2,400 for the processing of the "Summary for the Board" and the monthly automated general ledger reports.

Mr. Kole also recommended the approval of this increase in fee as the Committee now receives timely reports on the Fund's performance.

The Secretary recommended that all bills for consultant fees be directed to Continental Bank and be paid directly out of the Fund and a copy of each bill be sent to the Secretary's Office for auditing purposes.

On a motion by Mr. Miller, seconded by Mr. Wool, the Committee unanimously approved the following recommendations: the implementation of the arrangement as recommended by R. Harrell to decrease commission expenses and provide money managers with access to broker-dealers with best execution capabilities, an increase in both Lowry, Raclin, Harrell & Howerdd's and Compensation and Capital, Inc.'s fees and a \$16,000 fee payable to Compensation and Capital, Inc. for the development of the General Ledger System. The Committee also approved the payment of fees directly from the Fund.

There being no further business, on a motion by Mr. Kole, seconded by Mr. Miller, the Committee unanimously agreed to adjourn at 11:45 A.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED _____