

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 322nd Meeting of the Retirement Allowance Committee was held on Tuesday, February 17, 1976 in the Conference Room, Room 444, Merchandise Mart and the following were in attendance:

Mr. W. A. Ashley	Mr. E. Langosch
Mr. J. L. Aurand	Mr. W. C. Spears
Mr. E. Barley, Sr.	Mr. J. Tiffy
Mr. J. Hastings	Mr. J. Touhy

Mr. Brown, alternate for Mr. Kole, was also present.

Neither Mr. J. Blaa nor his alternate were present. Mr. Brabec, Chicago Transit Board Member; Mr. Heater, Superintendent of Pensions; Mr. Hegarty and Mr. Mullen were also present.

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

A presentation was made by Mr. John Turner of Callan Associates regarding the quarter and the year ending December 31, 1975. He reviewed the total portfolio, the common stock portfolio and the fixed income portfolio by discussing the assets, the net contribution, the realized and unrealized gains and losses, the income earned and the investment return. He reviewed the rate of return on the total portfolio and each of the other portfolios, and discussed portfolio composition (common stock, convertible bonds, long term bonds, short term bonds and other investments). He emphasized the excellent performance by the Continental to keep the maximum amount invested since the average daily cash balance was very low. He said a good rule of thumb to use was 1/10 of 1% of total assets. Mr. Turner reported on the exceptions noted in the Fund Audit for the

last quarter which in the most part were due to the lateness of deposits of the income received.

Mr. Leszinske of the Continental Bank advised that the bank had recently changed its policy which will permit dividends to be credited to each account on the date payable.

Mr. Aurand asked about the rate of return on Real Estate until it was sold. Mr. Turner stated that there had been a 6.2% return on Real Estate.

A discussion then ensued regarding the year end amount of the Fund and the move toward fixed income investments. Mr. Touhy asked questions regarding the differential between year end figures and the total amount credited to the Fund. Mr. Turner said there is a move toward fixed income investments. Mr. Brabec asked if this was a pattern most funds are following. Mr. Leszinske stated that there is a trend toward fixed income investments. Mr. Brabec wanted to know what material the Trustees provided to show funds invested up to 65% to 70% in equities outperformed other funds. Mr. Leszinske stated that studies made by the University of Chicago seemed to substantiate this theory. Mr. Brabec asked if Continental Bank had portfolios using this theory which reflected this theory. Mr. Leszinske stated that he thought the Bank had, but it would be an accounting problem to get this information. Mr. Brabec stated that the Committee was not interested in the history of the University of Chicago Studies, but wanted to know what actually had been accomplished in actual situations to substantiate these theories.

Mr. Barley then stated that he did not believe that it was the Committee's duty to tell the Trustee what to do, but only to question their decisions when the Committee felt it necessary to do so.

At 11:09 A.M., Mr. Turner concluded his presentation and Mr. Leszinske presented the report for January, 1976, which was requested at the last meeting. He reviewed the Fund's position compared to Dow Jones and Standard & Poor's showings. For the month, he stated that we were below the Dow Jones average and ahead of Standard & Poor's, our equities were up 11% during January.

Mr. Leszinske stated that he had prepared an agenda for the forthcoming meeting and luncheon to be held at Continental Bank for members of the Committee. It was determined that the luncheon would take place on March 11th at 9:00 A.M. and the Secretary's Office would send letters to all members requesting acknowledgement of attendance. These letters were to be returned to the Secretary's Office by March 8th.

Upon conclusion of the presentation of the Trustee's Report, the regular monthly business meeting began. On a motion by Mr. Touhy, seconded by Mr. Tiffy, the minutes of the 321st Meeting, held on January 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 advised that two (2) Survivorship Options were submitted for approval at this meeting. On a motion by

Mr. Brown, seconded by Mr. Aurand, the Committee unanimously approved the two (2) Survivorship Options submitted by the Secretary.

The Secretary advised that thirty-three (33) Applications for Retirement were submitted to this office for presentation at this meeting. On a motion by Mr. Aurand, seconded by Mr. Hegarty, the Committee approved the thirty-three (33) 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 thirty-four (34) refunds totaling \$124,659.82 for approval at this meeting. Mr. Aurand asked whether an employee leaving the United States prior to the meeting could have his Refund Check sent out ahead of time. The Secretary responded that this was never done since we only get the checks five (5) days prior to the end of the month. Mr. Aurand requested that the Secretary look into the feasibility of giving checks out ahead of time. On a motion by Mr. Tiffy, seconded by Mr. Langosch, the refunds to be paid February 29, 1976 as per the attached statement, were unanimously approved.

The Secretary read a report of the deposits, disbursements and investments during the month of January, as per the attached statement.

The Secretary presented the Chicago Transit Authority bills totaling \$9,881.38 and miscellaneous bills totaling \$87,696.52 for approval. On a motion by Mr. Tiffy, seconded

by Mr. Hegarty, the Committee unanimously approved payment of these bills.

The Secretary reported that for the payment of February 29, 1976, Death Benefits numbering sixteen (16) and amounting to \$33,000.00 were submitted for approval. On a motion by Mr. Touhy, seconded by Mr. Tiffy, the Committee unanimously approved payment for the Death Benefits, as per the attached list.

The Secretary brought up the question of the interest factor to be used for the Plan Year January 1, 1975 to December 31, 1975 to be applied to contributions up to December 31, 1974. The Secretary advised that the gross income for the Plan Year ending December 31, 1975 for interest earned and the net gains and losses of sales of securities was \$4,280,541.74. The net income for the above mentioned Plan Year after deducting \$266,461.72 for expenses during the Plan Year was \$4,014,080.02. Using the formula set forth in Paragraph 15.6 of the Plan, the interest earned on the net income during the Plan Year was 2.3429 per cent.

On a motion by Mr. Touhy, seconded by Mr. Tiffy, the Committee unanimously approved the setting of the interest rate at 1.20 per cent on the employee contributions for the Plan Year ending December 31, 1975 in accordance with the maximum amount to be applied to the total contributions up to December 31, 1974.


Mr. Barley asked how this information on the interest factor was going to be conveyed to employees. The Secretary answered that this information would be included in Benefacts.

The Secretary advised that Peter A. Schmanski, who had been on Total and Permanent Disability, effective April 1, 1973, returned to active duty on February 8, 1976.


The Secretary advised that he received a telephone communication from Mr. Hasting's Office advising that the Internal Revenue Service had advised Mr. Gerard verbally that the Amendments to the Retirement Plan, effective January 1, 1974 and December 31, 1974 were approved by the Internal Revenue Service.

Mr. Ashley read a letter, dated February 5, 1976, from Mr. James McBride who retired January 1, 1976. Mr. McBride was given estimates on Options A and B on April 25, 1975 and alleged that he made his decision on the information furnished and was surprised that his final pension was somewhat less than the amount furnished in April, 1975. As a result, Mr. McBride was requesting that his option be changed from Option A-2/3 to Option A-1/2. The Secretary advised that on reviewing the file, there was an error in the earnings used to estimate his monthly retirement benefit. However, Mr. McBride also selected Option A rather than Option B which effected the amount of monthly pension. After general discussion by the Committee, it was unanimously agreed to grant Mr. McBride's request to change his option from Option A-2/3 to Option A-1/2. On a motion by Mr. Aurand, seconded by Mr. Barley, the Committee unanimously agreed to this change.

On a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously agreed to adjourn at 12:00 Noon.



SECRETARY
RETIREMENT ALLOWANCE COMMITTEE



CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED: MAR 15 1976