

RETIREMENT PLAN  
FOR  
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 334th Meeting of the Retirement Allowance Committee was held on Monday, January 17, 1977, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. E. Barley, Sr.	Mr. W. Spears
Mr. J. Blaa	Mr. J. Tiffy
Mr. E. Brabec	Mr. J. Touhy
Mr. J. Hastings	
Mr. P. Kole	

Mr. Kasmer, alternate for Mr. Langosch, and Mr. Lemm, alternate for Mr. Ashley, were also present. Mr. C. Klimkowski of Becker Securities Corporation; Messrs. N. Funk and W. Leszinske of Continental; Messrs. Hegarty and Mullen; and Mr. C. Heatter, Superintendent of Pensions, were also present.

The Chairman called the meeting to order at 10:49 A.M.

The Chairman called for the election of a Secretary Pro Tempore due to the absence of Mr. Ashley. On a motion by Mr. Touhy, seconded by Mr. Barley, the Committee unanimously approved Mr. Lemm, Secretary Pro Tempore.

Mr. Leszinske began his presentation by announcing to the Committee that the Continental Bank will discuss the Retirement Fund's investment strategies and objectives at the February meeting instead of this meeting.

A presentation was made by Mr. Leszinske of Continental relative to the current economic environment, pointing out

factors which attributed both to the strength and weaknesses of the current and projected economic scene.

Each Committee Member was given their personal copy of Mr. Leszinske's report on the current Continental Bank economic projections.

Mr. Leszinske indicated that he would prepare a point to point report for the next meeting on the portion of the Fund managed under the Economic Diversification Concept. Mr. Hastings asked Mr. Leszinske what rationale Continental utilized in the selection of the stocks to be transferred to Fund E.

Mr. Leszinske responded by indicating that the stocks which were transferred are of corporations which have relatively low current debt ratios.

Mr. Brabec asked the Book and Market Value of the stocks transferred to the new account to be managed under the Economic Diversification Concept.

Mr. Leszinske responded by indicating they were transferred on December 14, 1976 on an Average Cost Per Share Basis.

Mr. Brabec requested a listing of all stocks transferred to the new account and the average cost per share.

Mr. Leszinske informed Mr. Brabec that the Secretary of the Retirement Allowance Committee has copies of information requested. The Secretary stated that they would insure Mr. Brabec would receive a copy of the list requested.

Mr. Leszinske concluded his presentation at 10:17 A.M.

Mr. C. Klimkowski of Becker Securities Corporation made a presentation on the Fund's Performance up to the quarter ended September 30, 1976.

Mr. Klimkowski began his presentation by stating the purposes of performance monitoring. He stated that one of the purposes is to determine whether or not the Committee Members are pleased with the investment decisions which have been made regardless of the fact that the decision has been delegated to an outside money management organization.

Another purpose was to determine whether the Committee is happy with the Fund's performance by comparing its' performance with other comparable Funds which have operated under the same investment environment.

He continued his presentation by pointing out that the majority of the return generated by the Fund has been from interest income and dividends, and not from market appreciation because of the poor fixed income and equity markets over the last 3 years.

He referred to a chart depicting a history of the Standards and Poor's 500 Stock Composite Performance since 1967. He pointed out that there has been a dramatic upswing in Equities over the last two years ending September 30, 1976.

He then referred to a chart depicting a history of the Standards and Poor's Composite AAA Bond Yield Index Performance since 1967. He indicated that bond yields have been up forcing market values down, thusly there is an offset

between yield and market value on bonds.

After reviewing the aforementioned statistics, he reiterated that the Fund generally realized appreciation from interest income and dividends and not market appreciation even though there has been a dramatic upswing in the equity market. This upswing has only returned the equity market to former levels and not new highs.

He then referred to a chart illustrating commitment as Percent of Total Fund indicating that the Fund is not an aggressive Fund pointing out that the Fund's Equity Commitment was only 62.49% as compared to other comparable large Funds in the sample with Equity Commitments ranging from 56.20% to 80.38% during the 3 month period ending September 30, 1976. He indicated that the Fund had more of a commitment to Fixed Income as a result of lower commitment to Equities. He pointed out that the Fund continuously has approximately 10% commitment to cash equivalents and indicated that this should be an area of concern by Continental.

Mr. Brabec and Mr. Kole expressed their concern over the large commitment the Fund has to cash equivalents. Mr. Leszinske responded that this is necessary in order to have cash on hand for monthly pension payments.

Mr. Brabec asked the Secretary if this was true, the Secretary said cash equivalents have been in the area of \$11,000,000.00 and monthly pension benefit payments have been approximately \$1,600,000.00. Mr. Brabec then asked the rate of return on cash equivalents. The Secretary stated in the area of 5% to 5-1/4%. Mr. Brabec indicated this seemed to be

a reasonable rate of return, but Continental should give some attention to the large amount of cash equivalents.

Mr. Klimkowski then referred the Committee to a chart illustrating the Time-Weighted Rates of Return for periods ending September 30, 1976.

He pointed out for the 36 month period ending September 30, 1976, the Equities Portion of the Fund Time-Weighted Rate of Return was -5.66% as compared to the Becker Median Equity Fund Time-Weighted Rate of Return at -2.91% and the S&P 500 Index at +3.25%.

He then pointed out that for the 36 month period ending September 30, 1976, the Fund's Fixed Income Time-Weighted Rate of Return was +7.05% as compared to the Becker Median Fund Fixed Income Time-Weighted Rate of Return at +7.70%. He further indicated that for the 3 and 6 month periods ending September 30, 1976, the Fund's Fixed Income ranked in the First Quartile of the Becker Sample.

Mr. Touhy asked Mr. Klimkowski if the Fund's equities could be invested in the same stocks and in the same composition as the S&P 500.

Mr. Leszinske pointed out that the new account to be managed under the Economic Diversification Concept is similar to an index fund in that it holds 100 different equities and trading is very minimal.

Mr. Brabec and Mr. Leszinske stated that Continental could not purchase all stocks in the S&P 500 as some of the stocks are not considered prudent investments due to the

possibilities of bankruptcy and due to certain legal ramifications.

Mr. Klimkowski stated that the S&P 500 over the last 36 month period has outperformed 85% of all money managers. Also, over the same period, the S&P 500 outperformed the average equity portfolio by 6%.

Mr. Barley asked Mr. Leszinske if there were any changes in the new account managed under the Economic Diversification Concept. Mr. Leszinske responded that no changes will be initiated unless income is reinvested, new money added, or rebalancing is in process.

Mr. Touhy asked if the Committee could direct the Trustee as far as Debt-Equity Composition of the Fund and Investment Objectives.

Mr. Leszinske responded by indicating the Bank has full discretion over composition of the Fund, but the Committee should discuss the objectives of the Fund with the Bank. Mr. Leszinske indicated that it was his intention to discuss the objectives of the Fund at the next meeting.

Mr. Brabec asked Mr. Leszinske if the Continental would consider Fixed Income Securities offered by insurance companies pointing out that there are many offered yielding 9% to maturity. Mr. Leszinske responded by indicating that although these contracts may appear attractive in today's market, they need a great deal of evaluation. Mr. Leszinske also stated that most of these contracts offered by insurance companies are backed by private placements. He also stated

the bank will not invest in these contracts, hence, it would be necessary for the Committee to direct such an investment and assume the responsibility for its success or failure.

Each Committee Member was given their personal copy of the Becker Securities Corporation charts. A copy of these charts are part of the Committee's records in the Secretary's Office. Mr. Klimkowski concluded his presentation at 11:33 A.M. and he, Messrs. Funk and Leszinske left the meeting.

The Chairman asked for the approval of the Minutes of the 333rd Meeting, held December 20, 1976.

Mr. Spears questioned the statement recorded on Page 12 of the Minutes and stated they should be changed from "Mr. Spears requested that Mr. Blaa call this employee in to discuss the matter, and Mr. Spears requested that he be present at the time of the discussion." to "Mr. Spears agreed to have Mr. Blaa call this employee in to discuss the matter, and Mr. Spears stated that he wanted to be present at the time of the discussion."

On a motion by Mr. Touhy, seconded by Mr. Tiffy, the Minutes of the 333rd Meeting, held December 20, 1976, were unanimously approved with the clarification of Mr. Spears' statement on Page 12.

The announcements of deaths since last meeting were made by the Secretary, as per the attached list.

The Secretary presented one (1) Survivorship Option for approval at this meeting. On a motion by Mr. Touhy, seconded by Mr. Tiffy, the Committee unanimously approved the

one (1) Survivorship Option submitted by the Secretary.

The Secretary advised that thirty-five (35) Applications for Retirement were submitted for approval. On a motion by Mr. Barley, seconded by Mr. Touhy, the Committee unanimously approved the thirty-five (35) 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-two (32) refunds totaling \$155,058.32 for approval at this meeting. On a motion by Mr. Touhy, seconded by Mr. Brabec, the refunds to be paid January 31, 1977, as per the attached statement, were unanimously approved.

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

The Secretary presented the Chicago Transit Authority bills, totaling \$1,096.89, and miscellaneous bills, totaling \$110,933.23. On a motion by Mr. Barley, seconded by Mr. Brabec, the Committee unanimously approved payment of these bills.

The Secretary reported that for the payment of January 31, 1977, Death Benefits numbering twenty-six (26) and amounting to \$55,000.00 were submitted for approval. On a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously approved the Death Benefits, as per the attached list.



The Secretary then opened the discussion relative to employees being reinstated who were refunded Retirement Plan Contributions and Earned Interest. The Secretary referred to the "Application for Refund of Retirement Contributions" pointing out this form should be utilized with the wording, "I understand that if I am reinstated for any reason I cannot return to active service until I have reimbursed the Retirement Fund the total amount refunded, and I agree to make such a refund in accordance with this provision prior to return."

Mr. Hastings and the Secretary stated that the Committee is obligated to enforce the provisions of the Plan and the aforementioned sentence would serve to inform an employee at date of termination of his obligation if employee is reinstated.

After discussion between Messrs. Barley, Brabec, Hastings, Kole, Mullen, Tiffy and Touhy, Mr. Barley stated he would have the Attorney who represents Division 241 contact Mr. Hastings relative to the aforementioned matter and report back to the Committee.

The Secretary then presented the matter of Mr. Daryl V. Russell. The Committee agreed to extend a 60 day period from the date of reinstatement for Mr. Russell to repay the Fund Contributions and Earned Interest, which was refunded due to termination of his employment by the Authority.

The Secretary reported that to date Mr. Russell has failed to make payment and as a result has been placed on suspension since January 4, 1977.

The Secretary pointed out that this is one example

of the complications which arise out of permitting repayment periods.

The Secretary reported on Mr. Willie Drake, Jr., who was reinstated without reimbursing the Fund Contributions and Earned Interest withdrawn, and stated this employee is to make two payments, one-half ( $\frac{1}{2}$ ) of the amount owed to the Fund on January 28, 1977 and one-half ( $\frac{1}{2}$ ) of the amount owed to the Fund on February 11, 1977. The Secretary stated that he will report back to the Committee on this matter at the next meeting.

The Secretary reported that the Transportation Department had made arrangements to have Ms. Cynthia Lewis pay back contributions owed as a result of an oversight by the payroll group to deduct pension contributions from the bi-weekly paychecks.

The Secretary reported that on December 20, 1976, Mr. Alexander Adams withdrew his Application for Early Retirement for January 1, 1977 and submitted an Application for Total and Permanent Disability which was approved at this meeting. The Secretary also reported that on December 28, 1976, Mr. Charles Carnes withdrew his Application for Early Retirement for January 1, 1977 as a result of illness.

The Secretary reported that Mr. Donald L. Baber approved for Total and Permanent Disability, effective October 1, 1976, returned to duty on January 3, 1977 and Mr. Charles R. Williams approved for Total and Permanent Disability, effective January 1, 1977, returned to duty on January 5, 1977.

The Secretary stated that due to the fact Washington's Birthday falls on the regularly scheduled day for the Retirement Allowance Committee Meeting in February and as a result the General Office may be closed, he recommended the meeting be moved up to Tuesday, February 22, 1977. On a motion by Mr. Touhy, seconded by Mr. Tiffy, the Committee unanimously agreed to move the February Retirement Allowance Committee Meeting to Tuesday, February 22, 1977.

The Secretary reported that at the request of Mr. Robert M. Davis his Survivorship Option was withdrawn on December 27, 1976 for a January 1, 1977 retirement.

The Secretary reported that a sample of a check insert was in each Committee Member's pass out material. This insert would be placed with the January 31, 1977 Retirement Benefit Checks for all employees retired prior to January 1, 1971 and eligible to receive the \$10.00 per month increase in accordance with Section 20, Paragraph 20.8 of the Plan. The insert would advise the eligible retired employees of their increase in benefits, effective January 1, 1977.

The Secretary presented the matter of Joseph DeBenedetto indicating that on July 16, 1976, Mr. DeBenedetto was found unfit for work as a yard foreman but still fit for light duty. Since the Authority did not have any light duty positions available, Mr. DeBenedetto went on Disability Retirement on August 1, 1976. On December 23, 1976, the Authority informed Mr. DeBenedetto of a position as either a mail clerk

or collector. According to the Personnel Department, Mr. DeBenedetto refused both of the positions. As a result, in accordance with Section 12, Paragraph 12.1, the Secretary's Office withheld Monthly Disability Retirement Allowance Benefits. Section 12, in part, provides that an employee, "shall not be entitled to receive any disability allowance for any period for which he, although unable to return to his regular duties, refuses to accept other work offered by the Authority."

Mr. Spears indicated that Mr. DeBenedetto informed him that he did not refuse the job and was confused at the time the job was offered to him.

The Chairman recommended that the Secretary's Office interview Mr. DeBenedetto regarding this matter.

The Secretary called the Committee Members' attention to a blue card titled, "Retirement Form Checklist" and indicated that this was developed by the Pensions Section in order to insure the correct documents are submitted when applying for retirement. The Secretary called the Committee's attention to the fact that on the checklist the form to authorize inactive union dues to be withheld from monthly Retirement Allowance Benefit Checks is required to be completed by all employees who desire the Secretary's Office to make a deduction and payment in their behalf for inactive union dues. He further stated that this form was distributed throughout the Authority to all administrative personnel.

The Secretary called the Committee's attention to the pass out material and referred to two articles; one titled,

"Investors Eyeing Return to Equity Market" and another titled, "The Eternal Question: How Long Can Fixed Income Beat Equities?" and recommended that each Committee Member read the articles.

There being no further business, on a motion by Mr. Tiffy, seconded by Mr. Touhy, the Committee unanimously agreed to adjourn at 12:36 P.M.

William A. Ashley  
SECRETARY  
RETIREMENT ALLOWANCE COMMITTEE

Paul J. Koe  
CHAIRMAN  
RETIREMENT ALLOWANCE COMMITTEE

DATED: 2-22-77