

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 358th Meeting of the Retirement Allowance Committee was held on Monday, September 18, 1978, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. W. Ashley	Mr. E. Langosch
Mr. S. Bianchi	Mr. T. O'Mahony
Mr. R. Goldman	Mr. W. Spears
Mr. P. Kole	Mr. J. Weatherspoon

Mr. F. Mullen, alternate for Mr. S. Miller, Mr. L. Wool, alternate for Mr. E. Brabec, were also present. Messrs. J. Edwards, C. Heatter, H. Hegarty, T. Hill, A. Kasmer and L. Morris were also present. Mr. Richard W. Burke, the Plan Attorney, was present. Messrs. E. Hamilton, W. Leszinske and S. Schuster of Continental Bank were also present. Mr. R. Kirby of Capital Guardian Trust Company was also present. Mr. R. Harrell of William Lowry & Associates, Inc. was also present.

The Chairman called the meeting to order at 10:38 A.M.

The Chairman introduced Mr. Richard Burke, the new Plan Attorney to the Committee.

The Chairman asked for the approval of the Minutes of the 357th Meeting, held August 21, 1978.

The Secretary pointed out that there was a deletion and errors in the Minutes of the 357th Meeting and recommended that the Minutes be approved with the following changes:

Mr. Wool be added as one of the alternates who attended the meeting. The motion on Page 3, 3rd paragraph, should read as follows,

"On a motion by Mr. Brabec, seconded by Mr. Langosch, the Committee unanimously approved the Minutes of the 356th Meeting, held July 17, 1978."

The motion on Page 3, 4th paragraph, 2nd sentence, should read as follows:

"On a motion by Mr. Brabec, seconded by Mr. Hall, the Committee unanimously approved the eleven (11) Applications for Retirement as submitted."

The motion on Page 6, 3rd paragraph, 3rd sentence, should read as follows:

"On a motion by Mr. Brabec, seconded by Mr. Bianchi, Mr. Dick Burke was nominated as the Plan Attorney."

On a motion by Mr. Mullen, seconded by Mr. Weatherspoon, the Committee unanimously approved the Minutes of the 357th Meeting, held August 21, 1978, with the aforementioned corrections.

The Secretary made the announcements 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. Weatherspoon, seconded by Mr. Bianchi, the Survivorship Options, as submitted, were unanimously approved.

The Secretary advised that there were twenty-one (21) Applications for Retirement submitted for approval. The Secretary indicated that amongst the twenty-one (21) applications was one for Mr. Francis McGinley, an early retirement, which was accompanied by a letter from the Maintenance Department requesting that this application be made retroactive to September 1, 1978; and two from the Transportation Department, Messrs. Anderson Hardy, Jr. and Dorcy Mumbower, requesting that their applications be made retroactive to

September 1, 1978 due to the fact that the Maintenance Department inadvertently delayed the processing of Mr. McGinley's application and Messrs. Hardy, Jr. and Mumbower did not understand the procedure for filing an Application for Retirement.

On a motion by Mr. Weatherspoon, seconded by Mr. Langosch, the Committee unanimously approved the twenty-one (21) Applications for Retirement submitted for approval, including applications for Messrs. Anderson Hardy, Jr., Francis McGinley, and Dorcy G. Mumbower to be made retroactive to September 1, 1978.

The Secretary reported that during the month, ten (10) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented fifty-five (55) refunds, totaling \$323,602.01, for approval at this meeting. On a motion by Mr. Wool, seconded by Mr. Weatherspoon, the refunds, to be paid on September 30, 1978, as per the attached statement, were unanimously approved.

The Secretary presented a report of Deposits, Disbursements and Investments for the month of August. The Secretary called the Committee's attention to the report and pointed out that the market value of the entire fund exceeds the book value. The Secretary indicated that this has not happened for a long time.

The Secretary presented the Chicago Transit Authority bills totaling \$16,195.49 and other bills totaling \$127,324.62 for approval. On a motion by Mr. Spears, seconded by Mr. Weatherspoon, the Committee unanimously approved payment of these bills.

The Secretary presented, for payment on September 30, 1978, Death Benefits numbering thirty-eight (38) and amounting to \$60,500.00. On a motion by Mr. Spears, seconded by Mr. Wool, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary indicated that in the statement received from Local 241 for the month of July, the Fund has not received additional contributions from Mr. Edwards to begin payment of \$1,714.76 in outstanding contributions. Mr. Edwards responded by indicating that the additional seven percent (7%) will be forthcoming in future statements from Local 241.

The Secretary indicated that Mr. Edward A. Pala owes the Fund \$837.23 in contributions and indicated that Mr. Heater met with Mr. Hall relative to this matter and to date has not received a response on how the outstanding contributions would be satisfied. Mr. Edwards indicated that Mr. Pala will have 14% deducted from all future contributions to the Fund made by Local 241.

The Secretary reported that Ms. Lillie M. Willis, approved for Total and Permanent Disability, effective November 1, 1977, approved to return to duty on July 20, 1978 has returned to Total and Permanent Disability, effective August 21, 1978, as a result of sustaining an injury on a bus on August 21, 1978. Mr. Spears indicated that this was the third (3rd) time Ms. Willis has been involved in an accident.

Mr. O'Mahony asked whether a statement was being sent to employees relative to the amount of contributions made to the Retirement Plan. The Secretary indicated that a Benefacts Report

is forthcoming in the near future.

Mr. O'Mahony asked if a Financial Statement of the Retirement Fund was being prepared by the Secretary's Office. The Secretary deferred the question to Mr. Bianchi. Mr. Bianchi indicated that a special group of individuals are working on this project. The Chairman requested that some samples be prepared by next meeting for the review of the Committee. The Secretary suggested that we review the samples and distribute a statement for Plan Year 1978 instead of 1977, due to the fact that we are in the 9th month of 1978. Mr. Bianchi agreed and suggested we review the samples and discuss this matter further at the next meeting.

Mr. Spears asked if the Secretary's Office was in the process of preparing a Retirement Plan Booklet written in non-legal language. Mr. Bianchi responded by indicating that a study is being made and hoped that a decision would be made by the next Committee Meeting as to whether or not the booklet will be prepared by CTA employees or by an outside professional.

Mr. Weatherspoon asked whether or not the Retirement Fund would consider purchasing some Guaranteed Investment Contracts from Union Labor Life. A discussion ensued between Messrs. Kole, O'Mahony, Spears, Weatherspoon and Harrell relative to this matter. Mr. Weatherspoon recommended that this matter be discussed further at a special subcommittee meeting in the near future; Mr. Kole agreed.

Mr. Spears asked if we had any investments with Delta Airlines. Mr. Hamilton responded in the affirmative. Mr. Spears indicated that Delta was a non-union company and suggested that the Fund not be invested in securities of non-union companies. Mr. Kole

responded that he would object to restrictions on securities due to the fact the investment advisers are investing in securities based on obtaining the best performance and it appears that the advisers are doing a good job. Mr. Harrell indicated that in accordance with ERISA, investments are to be made in the sole interest of the participants, thusly, the securities that provide the most benefit to the Fund without regard to whether a company is unionized or non-unionized.

Mr. Leszinske of Continental Bank circulated a Point to Point Measurement on Fund "E" to each Committee Member and a report on the Fixed Income Portion of the Fund and asked whether there were any questions relative to this matter.

Mr. Leszinske introduced Mr. Robert Kirby of Capital Guardian Trust Company, one of the new investment advisers of the Retirement Fund.

Mr. Kirby reviewed a report, dated August 31, 1978, issued by Capital Guardian Trust Company relative to their performance and other economic factors. Mr. Kirby explained the philosophy of his company and other points of interest to the Committee. A discussion ensued between Messrs. Harrell, Heatter, Kole and Kirby relative to Capital Guardian Trust Company.

Mr. Kirby completed his presentation at 11:20 A.M.

Mr. Harrell began his presentation by circulating two (2) articles titled, "Unbundling the Prudent Man" and "The Guaranteed Investment Contract - Insurance or Investment?" Mr. Harrell asked each Committee Member to read through the articles as they give insight into the Prudent Man rule and Guaranteed Investment Con-

tracts.

Mr. Harrell reported on the Portfolio Quality Rank, Relative Price/Earnings Multiple Rank, Equity Portfolio Yield Rank, Long Term Comparative Performance Analysis, Intermediate Term Comparative Analysis and Short Term Comparative Analysis for each investment adviser (E. W. Axe & Co., Inc., Capital Guardian Trust Company, Decatur Income Fund, Inc., two (2) T. Rowe Price Associate Funds, Putnam Management Co., Inc. and Continental Illinois National Bank).

Mr. Harrell recommended that Continental, as the Trustee, contact E. W. Axe & Company, Inc. and request that they align the Chicago Transit Fund's Quality Rank similarly to that of the E. W. Axe & Company, Inc.'s Commingled Fund. Further, he indicated to Mr. R. Kirby of Capital Guardian Trust Company to advise portfolio managers to align the Chicago Transit Authority Fund's Quality Rank similarly to that of Capital Guardian Trust Company's Commingled Fund.

Mr. Harrell continued his presentation by referring the Committee Members to the Fixed Income Portion of the Report, which indicated that Continental Bank, through the second (2nd) quarter of 1978, ranked in the fourth (4th) Decile (top 40%) of all professionally managed Fixed Income Portfolios and for the five (5) years through December of 1977, on an annualized basis, ranked in the third (3rd) Decile (top 30%) of all professionally managed Fixed Income Portfolios.

Mr. Harrell concluded his presentation at 11:47 A.M. and he, Mr. Kirby, Messrs. Hamilton, Leszinske and Schuster left the meeting.

A copy of each of the Reports presented at this meeting was given to each Committee Member. A copy of each Report is also on file in the Secretary's Office.

There being no further business, on a motion by Mr. Bianchi, seconded by Mr. Wool, the Committee unanimously agreed to adjourn at 11:48 A.M.

W. A. Mahley
SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

Paul J. Kole
CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED OCT 16 1978