

RETIREMENT PLAN
FOR
CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 359th Meeting of the Retirement Allowance Committee was held on Monday, October 16, 1978, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

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

Mr. A. Kasmer, alternate for Mr. E. Langosch, was present. Messrs. C. Hall, C. Heatter, H. Hegarty, T. Hill, L. Morris, and L. Wool were also present. Mr. Richard W. Burke, the Plan Attorney, was present. Messrs. E. Hamilton and W. Leszinske of Continental Bank were also present. Messrs. J. Blair and J. Connors of Delaware Investment Advisors were also present. Messrs. M. Freydl and P. Norton of Callan and Associates, Inc. were also present. Mr. J. Bidwill was also present.

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

The Chairman indicated that the Committee will conduct its regular business and then have Continental Bank, Callan and Associates, Inc. and Delaware Investment Advisors present their reports.

The Chairman asked for the approval of the Minutes of the 358th Meeting, held September 18, 1978.

On a motion by Mr. Weatherspoon, seconded by Mr. Bianchi, the Committee unanimously approved the Minutes of the 358th Meeting, held September 18, 1978.

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

The Secretary submitted five (5) Survivorship Options for approval. On a motion by Mr. Spears, seconded by Mr. Weatherspoon, the Survivorship Options, as submitted, were unanimously approved.

The Secretary advised that there were fifteen (15) Retirement Applications submitted for approval. The Secretary indicated that amongst the fifteen (15) applications was one for Mr. Frank Prestigiaco, an early retirement, which was accompanied by a letter from the Maintenance Department requesting that this application be made retroactive to October 1, 1978 due to the fact that the processing of the application was inadvertently delayed.

On a motion by Mr. Kasmer, seconded by Mr. Spears, the Committee unanimously approved the fifteen (15) Applications for Retirement submitted for approval, including the application for Mr. Frank Prestigiaco to be made retroactive to October 1, 1978.

The Secretary reported that during the month, thirteen (13) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented fifty-five (55) refunds, totaling \$351,793.92, for approval at this meeting. On a motion by Mr. Spears, seconded by Mr. Brabec, the refunds to be paid on October 31, 1978, as per the attached statement, were unanimously approved.

The Secretary presented a report of Deposits, Disbursements and Investments for the month of September.

The Secretary presented the Chicago Transit Authority bills

totaling \$16,169.51 and other bills totaling \$211,591.13 for approval. On a motion by Mr. Brabec, seconded by Mr. Weatherspoon, the Committee unanimously approved payment of these bills.

The Secretary presented for payment on October 31, 1978, Death Benefits numbering fourteen (14) and amounting to \$25,000.00. On a motion by Mr. Kasmer, seconded by Mr. Spears, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary indicated that Mr. Bianchi's Office is working on a Statement of Financial Position of the Retirement Fund which will eventually be circulated to all employees and he indicated that it should be ready for presentation to the Committee by next meeting.

The Secretary indicated that his office completed an audit of all Local 241 union officials and found five (5) more union officials not making the proper amount of cash contributions from the union. He indicated that Mr. Heatter will provide Mr. Hall with the details concerning this matter.

The Secretary pointed out that Mr. Weatherspoon and Mr. Hall were overcontributing cash to the retirement fund and called their attention to Section 3, Paragraph 9 of the book titled, "Retirement Plan for Chicago Transit Authority Employees" which states, "As to those occupying full-time positions with the Association or its International Office, or with the Office or International Office of any bargaining agent representing employees of the Authority, "compensation" shall mean the current average pay hours for employees working in the job classification last held multiplied by the rate currently in effect for the job classification."

The Secretary asked Mr. Richard Burke, the Plan Attorney, to comment on a recent class action suit that involves the retirement fund.

Mr. Burke explained that, in his view, the lawsuit was a serious challenge to the exemption of the employee benefit plans in the State of Illinois from the imposition of the personal property tax. Mr. Burke indicated that he will follow the litigation, for if it is ultimately determined by the courts of review that the employee benefit plans are not free of personal property tax, there may be a significant personal property tax sought to be imposed upon the CTA Retirement Plan, and it may force consideration to movement of the Retirement Plans' assets outside the State of Illinois to avoid imposition of the tax.

Mr. Hamilton of Continental Bank stated that the Bank's Legal Department is watching this litigation closely.

The Chairman advised the Committee that the Investment Subcommittee met concerning the Guaranteed Insurance Contract type of investments and had requested that Mr. Robert Harrell of William Lowry and Associates accept proposals from at least five (5) major companies which are, in Bob Harrell's opinion, the best Guaranteed Insurance Contract products. In addition, the Committee requested Bob to secure a proposal from Union Labor Life Insurance Company.

The Chairman also advised the Committee that a study was recently conducted by the Subcommittee relative to the monitoring services currently retained by the Retirement Allowance Committee and the study's conclusion was that there is a definite duplication of services provided in two of the services; A. G. Becker Securities

Corporation and Callan Associates, Inc. and between the two Callan Associates, Inc. provided by far the superior service. Based on this study, the Subcommittee recommended to the Committee that, effective December 31, 1978, the A. G. Becker Securities Corporation's monitoring service be discontinued.

On a motion by Mr. Spears, seconded by Mr. Kasmer, the Committee unanimously approved the elimination of the A. G. Becker Securities Corporation's monitoring service, effective December 31, 1978. The Chairman instructed the Secretary to notify the A. G. Becker Securities Corporation of the Committee's action.

The Chairman asked for Callan Associates, Inc. Report.

Mr. M. Freydl of Callan Associates, Inc. reviewed a report, dated June 30, 1978. Mr. Freydl reviewed factors such as Fund Diversification, Purchases and Sales, Capital Turnover, Brokerage Discount, Investment Objectives, Actuarial Objectives, Fund's Relative Performance and Investment Style Analysis.

Mr. Freydl pointed out that E. W. Axe Investment Advisors show a definite variation between the investment style they have been appointed to emulate and the way they are actually managing the portfolio.

Mr. Kole asked if the Callan Investment Objective and Actuarial Objective was an annualized rate. Mr. Freydl responded by indicating it was not.

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

Mr. Freydl concluded his presentation at 11:05 A.M.

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 informed the Committee that there were no purchases or sales in fixed income portfolio and that Continental is holding approximately 40% in short term investments receiving between 8.8% and 8.9% rate of return until an investment decision is made.

Mr. Leszinske introduced Messrs. J. Blair and J. Connors of Delaware Investment Advisors, one of the new investment advisors of the Retirement Fund.

Mr. Blair explained the Investment Philosophy of Delaware and gave some insight into their performance since they were hired and some of the existing economic factors. Mr. Blair introduced Mr. J. Connors of Delaware, the Chicago Transit Authority's Portfolio Advisor.

Mr. Connors reviewed a report issued by Delaware Investment Advisors relative to performance, types of securities in portfolio and future performance expectations.

Mr. Connors concluded his presentation at 11:25 A.M.


Mr. Spears asked what happens to an individual who refuses to sign an Application for Refund of Contributions.

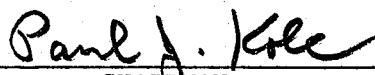
The Secretary responded that the employee's contributions would remain in the Fund in a reserve account and his office would follow-up every six (6) months in order to have the employee prepare an application.

Mr. Weatherspoon asked Mr. Kole how the interest rate that is applied to employee contributions was computed.

Mr. Kole indicated that it is computed by adding Income and Dividends and Realized Gains, subtracting Realized Losses, subtracting Operating Expenses and dividing the result by the Average Amount Invested. The interest rate as computed would then be applied to any accumulated contributions in the Fund as of the end of the preceding year.

There being no further business, on a motion by Mr. Bianchi, seconded by Mr. Kasmer, the Committee unanimously agreed to adjourn at 11:52 A.M.


SECRETARY
RETIREMENT ALLOWANCE COMMITTEE


CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED NOV 20 1978