

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 373rd Meeting of the Retirement Allowance Committee was held on Monday, January 21, 1980, in the Sales/Risk Management Conference Room, Room 7-112, Merchandise Mart. The following were in attendance:

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

Mr. Kasmer, alternate for Mr. Langosch, and Mr. Wool, alternate for Mr. Brabec, were also present. Neither Mr. Bianchi nor his alternate was present. Messrs. J. Edwards, C. Hall, C. Heatter, H. Hegarty, and L. Morris were also present. Messrs. W. Giese, E. Hamilton, and W. Leszinske of Continental Bank were also present. Mr. P. Norton of Callan Associates, Inc. was also present. Mr. R. Burke, the Plan Attorney, was also present.

Mr. Leszinske referred the Committee to a letter, dated January 18, 1980, titled "December Market Summary" and reviewed the contents of the letter.

He reported that due to the numerous near term uncertainties facing the market, the Continental Bank continued to hold sizable cash reserves through the month of December. He indicated that Continental Bank expected rates to peak in early 1980 and that opportunities to profitably reinvest these funds in longer term securities should appear over the next several weeks.

Mr. Giese of Continental Bank, Fixed Income Manager of the Fund, circulated and reviewed a page titled "Fixed Income Sales Schedule - September 1, 1979 - November 30, 1979."

Mr. Giese indicated that the Continental Bank sold certain Fixed Income Securities to avoid further losses in the market price of the securities due to rising short term rates.

Mr. Giese indicated that the monies received as a result of these sales were invested in short term securities at 13+%.

Mr. Giese indicated that Continental actively manages the Fixed Income Fund in order to obtain the best return to the Fund. He indicated that in order to realize the best rate of return using an active management approach, from time to time the Fund will realize losses. Active investment management is an approach that calls for buying and selling bonds and not usually holding the securities to maturity.

Mr. Kole asked how the decision was made to sell the securities between September 1, 1979 to November 30, 1979 and why the particular issues were sold. Mr. Giese indicated that it was the current policy of Continental Bank to only have 30% of a portfolio in bonds. Mr. Giese indicated that the Treasury Bonds could be sold fast without realizing additional losses. The corporate issues were securities purchased for sale in defensive market. Mr. Giese indicated that Continental currently considers its position as defensive in the Fixed Income Market. Mr. Giese indicated that the GMNAs were sold due to the fact that there is an abundant supply of GNMA securities.

Mr. Kasmer asked why securities are not held to maturity. Mr. Giese responded indicating that Continental Bank will be able to reinvest the proceeds of the sale and hopefully realize a greater return than if the bonds were held to maturity.

A discussion ensued between Messrs. Giese, Kasmer, Kole and Miller relative to Fixed Income Investments.

Mr. Hamilton presented the following 1979 year end rates of return for the equity manager CTA Fund and Mutual Fund:

	<u>CTA Fund</u>	<u>Mutual Fund</u>
E. W. Axe & Company	27.33%	23.75%
Capital Guardian Trust Co.	19.72	19.08
Delaware Investment Advisors	28.16	24.75
Putnam Management Co.	20.38	19.99
T. Rowe Price Index-Growth	16.1	11.3
T. Rowe Price - ECIS	36.7	35.5

He further indicated that it appears that each CTA Fund had exceeded the managers mutual fund performance. He indicated his concern with the large variances in performance and indicated that the variances would be discussed at the Annual Managers' Meeting.

Mr. Miller asked if Continental reviewed the portfolio holdings of the CTA Fund as compared to the Mutual Funds. Mr. Hamilton indicated that the Continental has not received the year end portfolio listings but this will be done in the near future.

Mr. Spears was concerned as to whether the managers were taking additional risks above and beyond the risk taken in in their Mutual Funds.

Mr. Hamilton responded by indicating that this would have to be reviewed with the managers.

Mr. Hamilton reported that for 1979 the Continental Bank's Commingled Fixed Income Performance was +1.1% and the CTA's Fixed Income Performance, including Cash and Equivalent, was +3.3%. He further indicated that the S&P 500 AA Index was -7.0%, S&P 500 AAA Index was -6.4%, and the Salamon Bros.' Index was -4.2%.

Mr. Hamilton indicated that there would be an increase in investment management fees for the CTA's Fixed Income Fund. He indicated that the fee would be increased by 6.3%.

Mr. Hamilton circulated the new rate schedule to all Committee Members.

Quarterly for trusts having an asset value
in excess of \$5,000,000.

GENERAL STOCKS, BONDS, AND CASH

Schedule	Approx. Equivalent
First \$ 1,000,000 6/10 of 1 per cent ...	\$6.00 per \$1,000
Next 4,000,000 4/10 of 1 per cent ...	4.00 per 1,000
Next 20,000,000 3/20 of 1 per cent ...	1.50 per 1,000
Next 75,000,000 1/10 of 1 per cent ...	1.00 per 1,000
Balance 1/12 of 1 per cent83 per 1,000

Employer securities will be computed with a 60% discount of their market value.

He indicated that there was a 15% discount off the above rates for the CTA Fund.

On a motion by Mr. Kole, seconded by Mr. Miller, the Committee unanimously approved the increase in the Fixed Income

investment management fee.

Mr. Hamilton concluded his presentation at 11:15 A.M.

Mr. P. Norton of Callan Associates, Inc. circulated and reviewed a report for the period ending September 30, 1979.

Mr. Norton reviewed the Fund's Year to Date Performance, Relative Performance Diversification, Equity Portfolios and Duplicate Transactions for the Quarter ending September, 1979.

Mr. Norton indicated that the CTA Fund did extremely well during the first 3 quarters and ranked close to the top quartile of all funds in the Callan Data Bank.

Mr. Norton indicated that it was his opinion that the Fund was well diversified and not unduly exposed to market risk.

Mr. Norton completed his presentation at 11:30 A.M. and he, Messrs. Giese, Hamilton and Leszinske left the meeting.

The Chairman asked for the approval of the Minutes of the 372nd Meeting, held on November 19, 1979.

On a motion by Mr. Miller, seconded by Mr. O'Mahony, the Committee unanimously approved the Minutes of the 372nd Meeting, held November 19, 1979.

The Chairman asked for confirmation of the action taken by the Secretary's Office on Items 4 through 11 on the December Agenda in lieu of the scheduled meeting of December 17, 1979.

On a motion by Mr. O'Mahony, seconded by Mr. Kole, the Committee unanimously approved the action taken by the Secretary's Office on Items 4 through 11 on the December Agenda in lieu of the scheduled meeting of December 17, 1979.

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

The Secretary submitted five (5) Survivorship Options for approval, which included a Retroactive January 1, 1980 Option B(All) for Mr. Joseph McCray. On December 21, 1979, Mr. McCray decided to change his Option B(1/2) to B(All). Mr. McCray has the right to change his option up to the date of his retirement. The Secretary also indicated that among the five (5) Options to be approved was one for Mr. Eugene Sullivan, who has not obtained neither a marriage certificate nor proof of birth on his wife. The Secretary indicated that Mr. Sullivan has written to Italy to obtain both a marriage certificate and proof of birth on his wife. The Secretary recommended that Mr. Sullivan's Option be approved pending receipt of a marriage certificate and proof of birth on his wife.

On a motion by Mr. Kole, seconded by Mr. Wool, the Committee unanimously approved the Survivorship Options, including Mr. McCray's Option B(All), retroactive to January 1, 1980, and Mr. Sullivan's pending receipt of a marriage certificate and proof of birth on his wife.

The Secretary presented twenty-four (24) Applications for Retirement, which included Mr. Paul Whitemon's, retroactive to October 1, 1979, Messrs. Robert McCarthy's, Frederick Riggins', and James Roberts', retroactive to January 1, 1980. Mr. Paul Whitemon completed twenty-six weeks of Worker's Compensation in September of 1979 and Gallagher-Bassett failed to inform the Insurance and Pensions Department, thus the man did not apply for

a October 1, 1979 Disability Retirement. The Secretary indicated that Mr. Whitemon was injured on duty and also a mass was found in Mr. Whitemon's stomach.

The Secretary's Office received a letter from the Manager of Transportation requesting that Messrs. McCarthy, Riggins and Roberts retirement be made retroactive to January 1, 1980 because they did not understand that the application had to be filed by December 14, 1979.

On a motion by Mr. Spears, seconded by Mr. Kole, the Committee unanimously approved the Applications for Retirement, including Mr. Whitemon, retroactive to October 1, 1979 and Messrs. Robert McCarthy, Frederick Riggins and James Roberts, retroactive to January 1, 1980.

The Secretary reported that during the month, no employees on Disability Retirement were examined by the Medical Department or their records reviewed.

The Secretary presented forty-four (44) refunds, totaling \$222,459.04, for approval at this meeting.

Mr. Spears asked why Mr. Jerome Bradford's refund was being held. The Secretary responded by indicating that his office was served with an attachment from the Cook County Circuit Court directing him not to pay the refund. Mr. Spears asked specific dates as to the date the refund check was originally set up and the date of attachment.

Mr. Weatherspoon indicated that it was his understanding that pension monies could not be attached. The Secretary responded by indicating that his office has historically honored Court Orders and Internal Revenue Liens.

The Secretary referred the matter to Mr. R. Burke, the Plan Attorney. Mr. Burke secured the file and advised the Committee that the refund was set up originally for payment on November 30, 1979 and the Secretary's Office received an attachment on November 28, 1979. The Secretary, in accordance with the attachment, held up payment of the refund.

On January 4, 1980, the Secretary received an Authorization for the Release of Pension Monies from Mr. Jerome Bradford. The Chairman read the release to the Committee and indicated that Mr. Bradford signed the release authorization indicating that one check be made payable to the following three individuals: Jerome Bradford, Loretta Weber (CTA Attorney), and Timothy Riuelli (Mr. Bradford's Attorney).

The Secretary indicated that Mr. Bradford was convicted of a Workers' Compensation Fraud and the CTA had taken legal action against Mr. Bradford in order to obtain monies which were paid as a result of the fraud.

On a motion by Mr. Kole, seconded by Mr. Wool, the Committee approved the refunds to be paid on January 31, 1980, as per the attached list.

The Secretary directed the Committee's attention to a booklet titled "Trustee Summary" prepared by Compensation and Capital, Inc. indicating the Total Book Value of Cash and Investments of the Fund was \$315,433,936.12 and the Total Market Value was \$331,576,791.93 on December 31, 1979.

Mr. O'Mahony asked the value of the Fund on December 31, 1978. The Secretary reported that on December 31, 1978, the Total Book Value of Cash and Investments was \$266,599,644.94 and the Total Market Value was \$253,297,951.15.

The Secretary asked the Committee for approval of the procedure "Retirement Contributions by Employees Occupying a Position with the Union." After discussion between Committee Members, Mr. Weatherspoon indicated that Locals 241 and 308 would resolve this matter by next meeting.

The Secretary advised the Committee that the Purchasing Department received no bids on the Pitney-Bowes Mailing Machine and as a result they are trying to sell the machine on an over-the-counter basis.

The Secretary advised the Committee that it is necessary to elect a Chairman of the Retirement Allowance Committee for 1980.

Mr. Kole nominated Mr. John Weatherspoon as Chairman for Plan Year 1980. On a motion by Mr. Kole, seconded by Mr. Wool, the Committee unanimously elected Mr. John Weatherspoon as Chairman of the Retirement Allowance Committee for the Plan Year 1980.

The Secretary advised the Committee that inasmuch as the February Meeting will fall on Washington's Birthday, February 18, 1980, he is recommending that the meeting date be changed to February 19, 1980. On a motion by Mr. Spears, seconded by Mr. Wool, the Committee unanimously agreed to change the meeting date to Tuesday, February 19, 1980.

The Secretary reported that Mr. Roscoe R. Jasper approved for Disability Retirement, effective October 1, 1979, returned to duty on December 12, 1979.

The Secretary reported that the Option Application for Joseph McCray, approved at the meeting of July 16, 1979, was withdrawn by Mr. McCray and a new option election was made.

The Secretary reported that the Option Application for Mr. Ralph Kempe, approved at the meeting of July 16, 1979, was withdrawn by Mr. Kempe as he decided not to take an option.

The Secretary reported that the Option Application for Mr. Samuel Cicero, approved at the meeting of July 16, 1979, was withdrawn by Mr. Cicero as he decided not to retire.

The Secretary reported that the Option Application for Mr. Robert Stach, approved at the meeting of May 21, 1979, was withdrawn by Mr. Stach as he decided not to retire.

The Secretary reported that the Option Application for Mr. Peter Cleary, approved at the meeting of June 18, 1979, was withdrawn as he decided not to retire.

The Secretary advised that, for the second time, Mr. Gill Bundley requested to be reinstated. Mr. Bundley retired in May of 1979 at age 65.

Subsequent to Mr. Bundley's retirement, the Secretary's Office received clarification of the Age Discrimination Act, which allowed individuals to work after their 65th birthday. Mr. Bundley requested reinstatement on August 7, 1979. We responded in writing to Mr. Bundley advising him to contact the Placement Department for reinstatement. Mr. Bundley did not respond. Mr. Bundley contacted

the Pension Section Office on December 26, 1979 again requesting reinstatement. The Pension Section Office advised Mr. Bundley to report to Placement on Thursday, December 27, 1979 for reinstatement. Mr. Bundley failed to report. Mr. Weatherspoon suggested we have Mr. Burke prepare a form to be sent to Mr. Bundley of his right of reinstatement up to a specified date and have Mr. Bundley acknowledge the letter.

The Secretary advised the Committee that on March 20, 1979, Mr. Dominick Cipriani signed Application for Retirement forms, effective May 1, 1979, which were sent to Mr. Cipriani via a fellow bus operator.

On December 27, 1979, Mr. J. F. Clifford, Attorney, presented the Secretary's Office with a doctor's statement indicating that Mr. Cipriani was not in the position relative to making a decision regarding his Application for Retirement at the time he signed the application.

The Secretary and Mr. Burke recommended that on the basis of the statement from Mr. Cipriani's physician and the fact that Mr. Cipriani passed away 5 days after the date of retirement, the Committee rescind Mr. Cipriani's Retirement Application and consider Mr. Cipriani as an active employee and pay his designated beneficiary \$7,000 under the Basic Group Life Insurance Plan and reimburse the Retirement Fund the \$1,000 Death Benefit, which had been paid from the Retirement Fund, and \$8,000 under the Contributory Life Insurance Plan.

On a motion by Mr. Goldman, seconded by Mr. O'Mahony,
the Committee unanimously approved the Secretary's recommendation.

There being no further business, on a motion by Mr. Kole,
seconded by Mr. Miller, the Committee unanimously agreed to adjourn
at 12:41 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED _____