

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 380th Meeting of the Retirement Allowance Committee was held on Monday, August 18, 1980, in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

Mr. W. Ashley	Mr. R. Kren
Mr. S. Bianchi	Mr. E. Langosch
Mr. J. Gallagher	Mr. T. O'Mahony
Mr. C. Knox	Mr. J. Weatherspoon
Mr. P. Kole	

Mr. L. Morris, alternate for Mr. R. Goldman, was present. Messrs. J. Bidwill, M. Brennan, J. Edwards, C. Hall, H. Hegarty, A. Kasmer, W. Mansker and A. Schmidt were present. Mr. William Leszinske and Ms. Kris Alsip of Continental Bank were also present.

The Chairman called the meeting to order at 10:42 A.M.

Mr. Leszinske discussed the letter entitled "July Market Summary," dated August 15, 1980, which is included at the end of these Minutes. He indicated that the interest rates were increasing due to a general belief in continued inflation and the appearances of the economy beginning a recovery. He concluded by indicating that during July there had been one sale of a \$2.7 million U.S. Treasury Note on which the Fund realized a loss of \$35,618.00. This was done to facilitate their strategy of moving

from short and intermediate term bonds to longer term bonds. Mr. Hegarty questioned the size of the loss. Mr. Leszinske then indicated that, if held, the loss would have been much larger - approximately \$100,000.00. Mr. Brennan raised the question as to Continental Bank's opinion of the holding of 10,000 shares of Ford Motor Company by Capital Guardian in light of the recent record losses being reported by Ford. Mr. Leszinske stated that there were two questions involved. First, Continental Bank would comment on individual issues only in situations where there was a probability of the Fund realizing a total loss in the issue. The question of whether this issue will outperform similar issues is to be decided by the investment manager. He did indicate that Ford has a strong sales record overseas and he does not feel there is a credit risk in Ford Motor Company. Questions as to its relative performance should be directed to the manager in question - Continental Bank is not currently purchasing this stock for its clients. Mr. Gallagher raised a question concerning the rate of turnover in the securities held by the Fund. Mr. Leszinske responded that Mr. Heatter was preparing such a report which was confirmed by Mr. Ashley. There followed a discussion involving Messrs. Gallagher, Kole, Leszinske and O'Mahony in which it was pointed out that there was no correlation between turnover

and performance and that turnover generally was greater in times of erratic or quick moving markets such as this year. Also, the figures given as total sales/purchases is somewhat deceptive in that it includes contributions, payouts and reinvesting of maturing short-term issues.

Mr. Kasmer asked if Continental is still holding the proceeds of the sale previously mentioned. Mr. Leszinske responded they had invested it in short-term notes at about 9.15% to 9.25%. Mr. Leszinske concluded his discussion at 11:02 A.M.

The Secretary stated that he had a letter from Local 308 confirming Mr. Knox having been appointed a full member of the Committee in place of Mr. Spears.

The Chairman asked for approval of the Minutes of the 379th Meeting, held Monday, July 21, 1980. On a motion by Mr. Bianchi, seconded by Mr. O'Mahony, the Committee unanimously approved the Minutes.

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

The Secretary presented six Survivorship Options for approval. On a motion by Mr. Kole, seconded by Mr. O'Mahony, the Committee unanimously approved the Survivorship Options as per the attached list.

The Secretary presented eight elections of the Pre-Retirement Surviving Spouse Options and one who cancelled his previously elected option. Mr. Hegarty questioned the meaning of effective in Mr. Jankowski's revocation. The Secretary responded that Mr. Jankowski revoked the option prior to the effective date of the option.

On a motion by Mr. Kole, seconded by Mr. O'Mahony, the Committee unanimously approved the Pre-Retirement Surviving Spouse Options as per the attached list.

The Secretary presented eleven Applications for Retirement. He indicated that among these was an application for Disability Retirement to be retroactive to June 1, 1980 for Mr. Calvin Smith due to confusion as to Mr. Smith's filing for Disability Retirement. He further indicated that a Mr. Ernesto Garcia applied for Early Retirement retroactive to August 1, 1980. Although Mr. Garcia completed twenty-six weeks of sickness insurance benefits in June, he did not have sufficient service to retire on disability. Further, since he attained age 62 in July it would not be to his advantage to retire prior to August 1, 1980.

On a motion by Mr. Bianchi, seconded by Mr. Knox, the Committee unanimously approved the eleven Applications for Retirement including the retroactive retirements for Messrs. Smith and Garcia.

The Secretary reported that six employees receiving Disability Retirement Benefits had been examined or had their records reviewed.

The Secretary presented sixteen refunds totaling \$106,364.08 for approval. On a motion by Mr. Kole, seconded by Mr. Bianchi, the Committee unanimously approved the Refunds of Contributions to be paid on August 31, 1980.

The Secretary directed the Committee's attention to the book titled "Trustee Summary" prepared by Compensation and Capital, Inc., indicating the Total Book Value of Cash and Investments as of July 31, 1980 to be \$355,196,986.62.

The Secretary submitted for approval one bill from the Authority totaling \$30,096.35, and four operating bills totaling \$52,271.16, and four remittances totaling \$148,199.26.

On a motion by Mr. O'Mahony, seconded by Mr. Gallagher, the Committee unanimously approved payment of the bills and remittances for August 31, 1980 as per the attached list.

The Secretary submitted for approval twenty-seven Death Benefits totaling \$57,000.00 for payment on August 31, 1980. On a motion by Mr. Gallagher, seconded by Mr. O'Mahony, the Committee unanimously approved payment of the Death Benefits as per the attached list.

The Secretary distributed to the Committee copies of the

Investment Policy with the amended Page 3 in regard to the Debt/Equity investment ratios. This was the change discussed and recommended by Mr. Harrell at the 379th Meeting which would alter the current fixed ratio of 70% equity and 30% debt to a ratio which would change as do the market price of equities relative to their respective book values. Mr. Kole motioned that the Committee adopt this revision. Mr. Kren seconded the motion. There ensued a lengthy discussion among the Committee. During this discussion, Mr. O'Mahony raised the question of the Fund investing in a Guaranteed Investment Contract, and stated that he felt only "new" money (i.e., contributions, dividends, interest) be used in affecting the changes in the Debt/Equity Ratios. Mr. Knox also recommended further investigation in regard to a Guaranteed Investment Contract and expressed his concern that this new amendment might impair this type of investment which has a stabilizing impact on investing. Mr. Gallagher expressed concerns that this amendment might affect the soundness of the Fund and his hesitancy to endorse a policy which would allow the Fund to invest 80% in equities given the volatile nature of the stock market. Mr. Hegarty asked whether this amendment dealt with investing in the Metropolitan Area of Chicago versus investments in alternative geographical areas of the country. Mr. Ashley responded that it did not. Mr. Kole

expressed his opinion as favorable toward the new procedure since it would have no adverse effect toward G.I.C.'s, it would be effected with essentially new money and would enable the Fund to essentially buy stocks at low prices and sell at high prices while retaining investment flexibility. Following this discussion, Mr. Kole withdrew his motion. On a motion by Mr. Knox, seconded by Mr. O'Mahony, the Committee unanimously approved tabling this change in the investment policy for future consideration following Mr. Harrell's visit next month.

The Secretary then referred to his office's recommendation that the Committee allow Merrill-Lynch Investment Advisors make a presentation to the Committee with a view toward employing their services.

Following a brief discussion, on a motion by Mr. O'Mahony, seconded by Mr. Knox, the Committee unanimously approved having Merrill-Lynch make their presentation at their next meeting.

The Secretary informed the Committee that Mr. John V. Hinton who was reinstated on May 20, 1980 as a result of an Arbitration Award, dated April 28, 1980, had failed to reimburse the Retirement Plan for the refund of contributions he received upon his discharge from employment. As a result, in accordance with Rule 21, Mr. Hinton's Pension Seniority Date has been changed to May 20, 1980.

Mr. Gallagher expressed his concern that Mr. Hinton may not

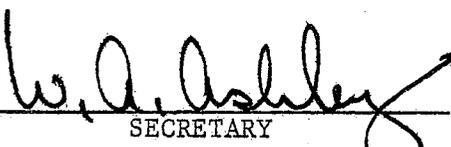
have received sufficient notice concerning the full impact of this action. There followed a discussion concerning an alternate procedure to be used in these situations. On a motion by Mr. O'Mahony, seconded by Mr. Bianchi, the Committee unanimously approved the issuing of a 30th day and 60th day follow-up letter to be issued by the Secretary's Office with carbon copies to the employee's representative Union officials. Further, the Committee approved with the same motion that a member of Labor Relations and the Union meet in the Secretary's Office and make a telephone call to Mr. Hinton and allow him an additional sixty days to reimburse the Fund.

Mr. Knox raised the question of allowing Union officials on leave from the Authority to make contributions based upon their salary from the Union. Mr. Ashley expressed the opinion that to do so the Retirement Plan would have to be amended through negotiations between the Association and the Authority. The Secretary indicated that he would place it on the Agenda for the next meeting when Mr. Burke, the Plan Attorney, would be present.

The Chairman raised the question of the Committee being formed to discuss the issue of direct deposit of Retirement Allowance Benefits. Mr. Ashley indicated that this Committee has full authority over this issue. Mr. Ashley recommended that he and Mr. Weatherspoon meet to discuss the matter in further detail.

The Secretary then distributed a copy of a Legal Opinion from Mr. Burke, as requested by the Committee, regarding the Arbitration Award. A copy is attached to these Minutes.

There being no further business, on a motion by Mr. Kole, seconded by Mr. Langosch, the Committee unanimously agreed to adjourn at 12:16 P.M.


SECRETARY
RETIREMENT ALLOWANCE COMMITTEE


CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED SEP 15 1980