RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 383rd Meeting of the Retirement Allowance Committee was held on Monday, November 17, 1980, in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

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

Mr. C. Heatter was Mr. S. Bianchi's alternate. Messrs. J. Edwards, C. Hall, H. Hegarty, A. Kasmer and L. Morris were present. Messrs. J. Bidwill, M. Brennan, G. Nagle and Ms. C. Cox were also present. Mr. W. Leszinske, Ms. K. Alsip, Ms. S. Bond and Mr. J. Rutledge of Continental Bank were present. Mr. R. Burke, the Plan Attorney, was also present.

The Chairman called the meeting to order at 10:33 A.M.

Mr. Leszinske presented to the Committee a letter, dated November 14, 1980, titled "October Market Summary." (A copy is attached to these minutes).

Mr. Kren questioned Mr. Leszinske as to what he meant by continuing recovery in the economy. Mr. Leszinske responded that there would be a very slow recovery and, in fact, there might be a decline in the GNP in the first quarter of 1981.

Mr. Heatter asked if Continental Bank was predicting a stabilization in interest rates. Mr. Leszinske responded that given the way the Federal Reserve System is trying to manage the money supply as opposed to managing interest rates, interest rates will remain very volatile. However, he did feel that they would eventually stabilize at a relatively high rate.

Mr. Leszinske then introduced Ms. Sharon Bond, a representative of the Real Estate Fund. Ms. Bond reviewed an Investment Report on the Real Estate Fund. Ms. Bond reviewed both the types and geographic location of properties in the Fund. (A copy is attached to these minutes).

Mr. Kren asked exactly what the percentages in the report represented. Ms. Bond responded that it represented the total asset value of the Fund. Mr. Leszinske further indicated that the total value of the Fund was approximately $47,000,000 of which approximately 7.5 million dollars was invested by the Chicago Transit Authority.

Mr. Kren asked how many of the real estate properties were in the State of Illinois. Ms. Bond responded indicating there were six properties in Illinois out of a total of nineteen.

A discussion ensued between Messrs. Kren, Heatter, Gallagher, Kole, Leszinske and Ms. Bond in which it was pointed out that approximately 55% of the Fund was invested in participating mortgages and the other 45% in equity or direct ownership.

Mr. Gallagher asked who the other participants were. Mr. Leszinske responded that they were other pension funds, profit sharing plans, etc.

After further discussion, it was agreed that a copy of the Real Estate Investment Holdings would be sent to the Secretary's Office. (A copy is attached to these minutes).

Ms. Bond completed her portion of the presentation and introduced Mr. John Rutledge.

Mr. Rutledge explained the strategy of the Real Estate Investment Trust which is participation in the equity aspects of Real Estate. He stated that this is the most desirable way to invest in Real Estate. He further indicated that the goals of the REIT include increasing equity ownership of properties (i.e., outright purchasing) and increasing the Equity Participation Clauses in mortgages. He stated that the latter could be done through percentage of revenue, percentage of cash flow and percentage of profits on sales. Mr. Rutledge continued by briefly explaining their intentions of maintaining the safety of the monies invested as well as maximizing the rate of return. He stated that in the future they intend to shift to greater equity position.

Mr. Gallagher asked whether or not Continental Bank had any "so-called" wrap-around mortgages. Mr. Rutledge responded that they had not been involved in that type of mortgage.

Mr. Heatter asked Mr. Rutledge to what he would attribute the seemingly high fees being charged by the REIT. Mr. Rutledge responded that the fee was 1% which is expensive by bank standards but reasonable when compared to the fees charged by other funds.

A discussion ensued between Messrs. Heatter, Gallagher, Rutledge and Leszinske during which it was pointed out that Real Estate investing is different inasmuch as it requires more time in the purchasing, management and selling of the properties.

Mr. Heatter asked if the apartments, which represent 41% of the investments, should go condominium would the Fund receive a portion of the profits. Mr. Rutledge replied that the Fund would not participate in any profits from the conversion and further indicated that there are some risks involved in condominium conversions.

Mr. Rutledge completed his presentation at 11:15 A.M. and he, Mr. Leszinske, Ms. Alsip and Ms. Bond left the meeting.

The Chairman asked for approval of the Minutes of the 382nd Meeting, held Thursday, October 16, 1980. On a motion by Mr. Gallagher, seconded by Mr. Knox, 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 ten (10) Survivorship Options for approval. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the Survivorship Options.

The Secretary presented four (4) elections of the Pre-Retirement Surviving Spouse Option. On a motion by Mr. Kole, seconded by Mr. Gallagher, the Committee unanimously approved the Pre-Retirement Surviving Spouse Options, as per the attached list.

The Secretary presented eleven (11) Applications for Retirement, one of which was submitted by the Maintenance Department for Fred Morgan to be made retroactive to November 1, 1980. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the retirements, including the retroactive retirement of Fred Morgan for November 1, 1980.

Mr. Hegarty asked why those persons previously listed under Human Resources, Area 605 were now listed as retiring from a specific department. Mr. Heatter explained that these particular employees are, in fact, in Area 605. However, because they had worked in a specific department for many years they were being retired from the department in which they worked simply as a matter of courtesy to the employee.

The Secretary reported that seven (7) employees receiving Disability Retirement Benefits had been examined or their records reviewed.

The Secretary presented twenty-three (23) refunds, totaling $153,610.73, for approval. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the Refunds of Contributions to be paid November 30, 1980.

The Secretary directed the Committee's attention to a report from Compensation and Capital indicating that the total Book Value of Cash and Investments, as of October 31, 1980, was $377,306,761.06. The Secretary noted that through error the contributions were not broken down in this report.

Mr. Heatter directed the Committee's attention to the year-to-date performance of the total portfolio and noted that it was up 17.28%. He also noted that the return on the original investment is up approximately $45 million, which he feels is outstanding.

Mr. Kren asked if it would be possible to have the pages numbered. Mr. Heatter responded that because the information in the report is prepared at different times and compiled from various reports, it would pose a problem. He did note, however, that a table of contents had been provided in lieu of numbering the pages.

Mr. Gallagher asked if the cash on hand is invested by

Continental Bank on a daily basis. Mr. Heatter replied that it was, that there were seven different funds involved, and the procedure was monitored by the Secretary's Office on a monthly basis to ensure that the maximum amount was invested.

Mr. Gallagher then asked how much time evolved between the time contributions are deposited and the checks are sent to the pensioners. The Secretary replied that the day the Treasury Department has the contribution check available it is hand carried to Continental Bank and invested immediately. He further explained that the payment of checks are set up, certified by the Chairman and Secretary of the Retirement Allowance Committee and sent to the bank. The checks are released at the end of the month. He stated that instead of taking out the whole amount at one time monies are placed in the payment account in stages; this procedure is also monitored by the Secretary's Office.

The Secretary submitted for approval one bill from the Authority totaling $29,405.64, five operating bills totaling $2,496.68 and remittances totaling $169,165.54.

On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved payment of the bills and remittances totaling $201,067.86.

On a question to the motion, Mr. Gallagher asked if we had a contract with Travelers. The Secretary replied that there was a Master Policy and he would see that Mr. Gallagher received a copy.

The Secretary submitted for approval thirty-five (35) Death Benefits for payment on November 30, 1980. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary reported to the Committee that the question of the Direct Deposit procedure had been discussed with Mr. Burke, the Plan Attorney, and Continental Bank. He presented a draft of a letter that the Secretary's Office would send to pensioners who request the Direct Deposit, along with the form to be completed for enrollment. He explained that except for some administrative problems, which he felt the Secretary's Office could work out, they had no opinion regarding the matter.

A discussion ensued between the Committee Members, Messrs. Burke, Morris, Kasmer, Hall, Edwards and Hegarty in which some of the pitfalls of Direct Deposit were brought out.

The Secretary explained that the implementation of the procedure would merely require a change of address by the Secretary's Office. He stated that the checks would still be issued by the

Secretary's Office but sent directly to a bank rather than to the pensioner.

On a motion by Mr. Gallagher, seconded by Messrs. O'Mahony and Kole, the Committee unanimously agreed to adopt the Direct Deposit of Retirement Checks.

A discussion ensued regarding the announcement of the Direct Deposit and the target date for implementation of the system. On a unanimous vote by the Committee, it was agreed that a cover letter announcing the new Direct Deposit system be sent to all retirees with an implementation date of February 1, 1981. It was also agreed that any requests for enrollment prior to February 1, 1981 would be handled by the Secretary's Office at the time of the request. The 10th day of the month was established as the cut-off date in order for enrollment to become effective at the end of a month. It was further agreed that as a matter of administrative control, an annual investigation be made on employees living in the city who are enrolled in the Direct Deposit system to see if, in fact, they are still alive and receiving checks.

The Secretary informed the Committee that Mr. J. Hinton, who was reinstated May 20, 1980, failed to reimburse the Retirement Fund $11,352.33 within the allowed period of time. Therefore, Mr. Hinton's new Pension Seniority Date is May 20, 1980.

Mr. Gallagher asked if Mr. Hinton had received sufficient notification regarding this matter. The Secretary responded in the affirmative. Mr. Knox stated that he had received information that Mr. Hinton did not wish to reimburse the Plan.

The Secretary presented to the Committee a letter from Mr. James Gordon regarding the current status of the settlement payment in the Penn Central Litigation. (A copy is attached to these minutes).

Mr. Burke explained that due to an error made by Continental Bank on the number of shares involved, the original settlement was incorrect. He further explained that this should probably result in a greater recovery for the Fund. He informed the Committee that he would stay in close contact with Mr. Gordon and report back to the Committee on a regular basis.

As a matter of information to the Committee, Mr. Heatter presented to each member a letter regarding the new insurance premium rates for retired employees, which is in the process of being mailed. (A copy is attached to these minutes).

Mr. Langosch asked whether or not a municipal employee of the City of Chicago could, upon leaving that agency and coming to the Authority, transfer his pension credits to the Retirement Plan. The Secretary responded that there is no reciprocity. He also stated that this has been discussed many times in the past and asked Mr. Burke to comment.

Mr. Burke responded that there does exist a Statute of the State of Illinois concerning reciprocity of pension benefits among governmental agencies. However, in order for a Fund to participate it must be indicated in the enabling legislature of that orginazation. The legislation for the Chicago Transit Authority does not contain such a clause. Consequently, reciprocity is not a factor incumbent upon this retirement plan.

On a motion by Mr. Goldman, seconded by Mr. Knox, the Committee unanimously agreed to adjourn at 12:17 P.M.

W. A. Ashley
SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

John M. Witherspoon
CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED DEC 15 1980