

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 388th Meeting of the Retirement Allowance Committee was held Monday, April 20, 1981, at the M & M Club, Merchandise Mart, Conference Room 10. The following were in attendance:

Mr. S. Bianchi	Mr. P. Kole
Mr. J. Gallagher	Mr. R. Kren
Mr. R. Goldman	Mr. T. O'Mahony
Mr. A. Kasmer	Mr. J. Weatherspoon
Mr. C. Knox	

Mr. C. Heatter, alternate for Mr. W. Ashley, was also present.

Messrs. L. Brown, J. Edwards, H. Hegarty and Mr. L. Morris were present. Messrs. G. Nagle and R. Carson were present. Messrs. W. Leszinske, E. Hamilton and Ms. K. Ford of Continental Bank were present. Mr. R. Harrell of Lowry, Raclin, Harrell and Howerdd was present. Mr. R. Burke, the Plan Attorney, was present. Mr. L. Sucsy was also present.

The Chairman called the meeting to order at 10:30 A.M.

The Chairman informed the Committee that due to the absence of the Secretary it would be necessary to appoint a Secretary Pro Tempore. On a motion by Mr. Kasmer, seconded by Mr. Bianchi, the Committee unanimously agreed to the appointment of Mr. C. Heatter

as Secretary Pro Tempore.

Mr. Leszinske presented to the Committee a letter, dated April 15, 1981, titled "March Market Summary." (A copy is attached to these minutes).

Mr. Leszinske noted that there had been wide swings in interest rates during the month of March.

Mr. Leszinske also noted that the Fixed Income Portfolio was approximately 20% in cash and equivalents, which were earning 15% on the assets.

Mr. Leszinske briefly outlined the documents which had been secured regarding Wheelabrator-Frye, Inc. (A copy is attached to these minutes). He brought to the Committee's attention the items on the agenda which were to be voted on at the Annual Stockholders Meeting to be held May 6, 1981. He also informed the Committee that there were 51,300 shares involved. Mr. Leszinske stressed to the Committee the fact that if Continental received no other direction from the Committee they would vote with management.

The Chairman stated that since this was one of the items on the agenda at this meeting, the Committee could take a vote at the time it was presented.

Mr. Harrell reviewed the William Lowry Investment Management Analysis Report which compared the quality of stocks, relative price

earnings multiple and the yield; short term, intermediate and long term investment performance of each of the Chicago Transit Authority Separate Funds to the Mutual Fund that was to be emulated.

Mr. Harrell indicated that there were variances between Capital Guardian's Mutual Fund and the CTA Separate Account as far as quality of stocks and short term performance. He also indicated that there was definite differences in the intrinsic value of the weighted averages of stocks held in the portfolio. This appeared to be due to the variance in stocks in the portfolio. Mr. Harrell indicated that if variances continue between the CTA Separate Accounts and the CTA Mutual Fund, the CTA may want to convert all separate accounts to shares in the Mutual Fund that we are trying to emulate.

Each Committee Member received a copy of the report as presented by Mr. Harrell.

The Chairman asked for approval of the Minutes of the 387th Meeting, held March 16, 1981.

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

The Secretary presented three (3) Survivorship Options for approval. On a motion by Mr. Kren, seconded by Mr. Weatherspoon, the Committee unanimously approved the Survivorship Options.

The Secretary presented twelve (12) elections of the Pre-Retirement Surviving Spouse Option. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the Pre-Retirement Surviving Spouse Options, as per the attached list.

The Secretary presented fifteen (15) Applications for Retirement. On a motion by Mr. Kole, seconded by Mr. Goldman, the Committee unanimously approved the retirements.

The Secretary reported that thirteen (13) employees, who are receiving Disability Retirement Benefits, were examined or their files reviewed.

The Secretary presented forty-seven (47) refunds, totaling \$248,449.67 for approval. On a motion by Mr. Kole, seconded by Mr. Kasmer, the Committee unanimously approved the Refunds of Contributions to be paid April 30, 1981.

The Secretary presented the Report of Deposits, Disbursements and Investments. The Secretary reported, for the Committee's information, that his office is presently working with the Data Processing Department at Compensation Capital to have the pages of the report either numbered or color coded and stated that hopefully this new procedure would be in effect within the next few months. The Secretary reported that the total market value of the Fund, as of March 31, 1981, was \$474,466,758.54. He also reported that the total

cash and investments, as of March 31, 1981, were \$421,803,067.13.

The Secretary brought up the question, which had been raised at the last meeting, regarding the error in a common stock transaction with Southland Royalty Company and asked Mr. Hamilton to explain. Mr. Hamilton turned the Committee's attention to a letter from Continental Bank and reviewed its contents which explained how the error came about. (A copy is attached to these minutes). On a motion by Mr. Kole, seconded by Mr. Kasmer, the Committee unanimously approved the Secretary's Report of Deposits, Disbursements and Investments as well as Mr. Hamilton's explanation of the stock transaction error.

The Secretary presented one (1) Chicago Transit Authority bill, totaling \$25,914.56; five (5) operating bills, totaling \$16,124.35 and five (5) remittances, totaling \$219,862.68. On a motion by Mr. Kole, seconded by Mr. Weatherspoon, the Committee unanimously approved payment of the bills and remittances totaling \$261,901.59.

The Secretary submitted for approval thirty (30) Death Benefits, totaling \$62,500.00, for payment April 30, 1981. On a motion by Mr. Kasmer, seconded by Mr. Kole, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

Mr. O'Mahony raised the question of whether or not Southland Royalty made a high profit off of the money we had invested.

Mr. Hamilton responded that there was old and new stock involved, and only the old stock received any dividends. After a discussion among the Committee Members, the Chairman noted that the Fund lost no monies due to the stock error in question.

The Chairman asked Mr. Burke to bring the Committee up-to-date as far as the Fiduciary Insurance is concerned. Mr. Burke reported that he is in the process of trying to get clarification on the question of allocation of payment of the premium and asked that the matter be held in abeyance until the next meeting. On a motion by Mr. Kole, seconded by Mr. Kasmer, the Committee unanimously agreed to hold this matter in abeyance until the next meeting.

The Secretary referred the Committee to the Agreement in the pass out material titled, "Automated Check Paying Service Agreement." The Secretary indicated that this checking account agreement which would provide improved checking services to the Fund as well as provide a means to reduce the amount of float currently being realized by the Continental Bank. This means the Fund would keep money invested longer, increase interest income to the Fund in the area of between \$30,000 and \$40,000 depending on the short term interest rates. This would in no way delay payment to retired employees.

On a motion by Mr. O'Mahony, seconded by Mr. Kole, the

Committee unanimously approved the agreement indicating that Mr. Heatter would act in the Secretary's place on all matters related to this agreement.

The Chairman brought the matter of the Wheelabrator-Frye, Inc. to the Committee's attention and asked Mr. O'Mahony to comment.

Mr. O'Mahony presented a memorandum to all Committee Members which outlined some of the problems which caused difficulties and the possible closing of Pullman-Standard. (A copy is attached to these minutes). The Chairman asked Mr. O'Mahony for a recommendation for having the matter brought to the attention of the proper individuals at Wheelabrator-Frye. Mr. O'Mahony responded that he suggested voting "no" with an explanation in writing to the Board of Directors. Mr. Weatherspoon asked if it would be possible to have the matter placed on the agenda under the category of other business. In response to a question by the Chairman, Mr. Burke stated that it would not be possible to have the matter placed on the agenda at this time. Mr. Burke stated that although there could only be a "yes" or "no" vote given at the meeting, the Committee could voice their opinion regarding Pullman-Standard via a letter directed to the Board of Directors of Wheelabrator-Frye, Inc.

A discussion ensued between the Committee Members regarding the way in which they wished to vote and the preparation of a letter

to the Board of Directors at Wheelabrator-Frye explaining our viewpoint in regard to the handling of Pullman-Standard. On a motion by Mr. Kasmer, seconded by Mr. Kole, the Committee unanimously agreed to vote with management and for the preparation of a letter to the Board of Directors.

The Chairman asked Mr. Burke to report on the Seven-Day Sick Claim Procedure. Mr. Burke stated that historically matters of this sort have been handled by labor and management. However, if the Committee wished, he would confer with the head of the Labor Relations Department. The Chairman recommended that Messrs. Burke, Weatherspoon and Knox meet with personnel in the Labor Relations Department and report back to the Committee. On a motion by Mr. Kasmer, seconded by Mr. Kole, the Committee unanimously agreed.

The Secretary called the Committee's attention to a letter from Putnam Investment Advisors addressing the question raised by Mr. Kren at the last meeting. Each Committee Member received a copy of the letter and a copy is attached to these minutes.

The Chairman brought to the Committee's attention three (3) employees who had been on Disability Retirement and had been placed in temporary assignments as money counters in the Central Counting Area. The three employees are: Messrs. Robert E. Johnson, Glenn McGann and Lawrence Latham. The Chairman also reported that



Mr. John Staten returned to work from disability retirement, effective April 1, 1981. The Chairman also indicated that Mr. Thomas Malone reimbursed the Retirement Fund on March 23, 1981, in the amount of \$989.08, in accordance with Rule 21 of the Retirement Plan. On a motion by Mr. Kole, seconded by Mr. Weatherspoon, the Committee unanimously approved the report.

The Secretary informed the Committee that the Pension Section's data processing systems are very antiquated and limiting in the day-to-day administration of the Plan. He indicated that the current systems will not accommodate any additional deductions withheld and that they do not provide for anticipated needs to fulfill possible contract demands. He indicated that it will take in the area of \$250,000 to upgrade current systems. He further indicated that this must be accomplished in the very near future and that the Pension Staff will present a proposal and request for an expenditure to upgrade the systems in the near future.

The Chairman brought to the Committee's attention a Summary regarding the purchasing of new fareboxes and asked Messrs. Kole and Sucsy to comment on the matter. Mr. Kole explained the necessity for the purchase of the new fareboxes noting that due to the increase in fares the Authority had been experiencing problems with the old boxes. He noted that the old fareboxes are not equipped to handle the present

mix of paper money and coins. Mr. Sucsy informed the Committee that after researching the means by which to obtain the fareboxes it was decided that the most advantageous was the Lease and Option Transaction. He further informed the Committee that the matter was being brought before them so that they could consider acting as guarantor in the purchase of the fareboxes. He further explained that as guarantor the Fund would receive a fee of 1% of the outstanding balance at year end. The Chairman recommended that two representatives of the union, one representative from management and the Plan Attorney meet and discuss the matter if and when the Chicago Transit Board approved the purchase of the fareboxes. On a motion by Mr. Kole, seconded by Mr. Weatherspoon, the Committee unanimously agreed.

The Chairman then asked Mr. Burke to look into the legalities involved in the Plan acting as guarantor in the purchase of the fareboxes and report back to the Committee at the next meeting.

Mr. Heatter reminded the Committee Members and Alternates that immediately following the Committee Meeting reports by Capital Guardian Trust Company and T. Rowe Price Associates, Inc. would be given at a luncheon.

There being no further business, on a motion by Mr. Bianchi, seconded by Mr. Kasmer, the Committee unanimously agreed to adjourn at 12:58 P.M.

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SECRETARY  
RETIREMENT ALLOWANCE COMMITTEE

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CHAIRMAN  
RETIREMENT ALLOWANCE COMMITTEE

DATED           MAY 18, 1981