

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 390th Meeting of the Retirement Allowance Committee was held Wednesday, June 17, 1981, in the Datacenter Conference Room, Room 450, Merchandise Mart. The following were in attendance:

Mr. W. Ashley	Mr. A. Kasmer
Mr. S. Bianchi	Mr. C. Knox
Mr. J. Gallagher	Mr. T. O'Mahony

Mr. C. Hall, alternate for Mr. Weatherspoon, was present.

Mr. L. Morris, alternate for Mr. R. Goldman, was present.

Mr. J. DeFranco, alternate for Mr. Kole, was present. Mr. L. Wool, alternate for Mr. R. Kren, was also present.

Messrs. H. Hegarty, L. Brown and W. Mansker were present.

Messrs. M. Brennan, G. Nagel and Ms. C. Cox were present. Messrs.

J. Bonner and J. Shelley of the Datacenter Department were present.

Mr. J. Holsteen and Ms. K. Ford of Continental Bank were present.

Messrs. R. Harrell and G. Howerdd of Lowry, Raclin, Harrell and

Howerdd were present. Mr. R. Burke, the Plan Attorney, was also present.

The Chairman called the meeting to order at 10:39 A.M.

Mr. Holsteen presented to the Committee a letter, dated June 12, 1981, titled "May Market Summary." (A copy is attached to these minutes).

Mr. Holsteen noted the unusual occurrence of rising money market rates and a bond market rally. He also noted that bond investments appear to be attractive at the present time after being unattractive for the past 2 or 3 years. Mr. Holsteen informed the Committee that the prime rate would remain volatile and then level off to a lower rate than at the present time. He also mentioned that in the future short rates would come down a lot more than long rates due to the unusual inverted yield curve at the present time.

The Chairman asked Mr. Holsteen what he recommended the Fund do in regard to the bond portfolio. Mr. Holsteen responded that he recommended that the Fund maintain its current bond holdings, retaining some cash would be alright but the purchase of Treasuries ranging from 2 to 10 years would be advantageous.

Mr. Harrell of Lowry, Raclin, Harrell and Howerdd began his presentation by indicating tha the Price to Book Ratio was 1.26% which, according to the Policy Statement adopted by the Committee, stated that the debt to equity ratio be 30 to 70.

In response to a question by the Chairman concerning the bond portfolio, Mr. Harrell indicated that he did not believe the Fund should expand its position in bonds due to a presumption that interest rates are declining.

Mr. Harrell presented to the Committee an investment

opportunity which was being offered to their clients with no additional fee. Mr. Harrell explained this was a group real estate trust, which he indicated was different from others being offered in the market place because it is neither all equity, all mortgages, or a combination of the two. He further explained that the intent is to invest in commercial properties where a long term mortgage can be secured and at the same time acquire a percentage of the equity with developers who want to retain an interest in the property. Mr. Harrell also noted that the trust will be run and serviced by regional banks. Mr. Harrell then introduced Mr. G. Howerdd who provided the Committee with a detailed description of the service explaining the various kinds of properties that would be involved. A discussion ensued between Mr. Howerdd and Committee Members during which it was agreed that written documentation describing the service be sent to the Secretary for distribution to the Committee for their perusal. It was also agreed upon by the Committee that the matter be placed on the agenda for discussion at the next meeting.

Mr. Harrell then reviewed the William Lowry Investment Management Analysis Report which compared the quality of stocks, relative price earnings multiple 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 completed his report at 11:35 A.M. and he, Mr. Howerdd, Ms. Alsip and Mr. Holsteen left the meeting.

The Chairman called the Committee's attention to a letter from Local Union 241 regarding the filing of a suit against the Authority for non-payment of the employer's portion of the retirement contributions due at the end of the month of May. The Chairman informed the Committee that after being told about this matter he immediately met with union representatives and the Plan counsel to advise him of what steps the Committee should take. He also passed out a letter which he had written to the Authority demanding payment of these contributions. (A copy of both letters is attached to these minutes). The Chairman then called upon Mr. Burke to explain to the Committee the status of the situation at the present time. Mr. Burke brought the Committee up to date on the status of the matter and recommended that the Committee petition the court to join in the suit. Mr. Burke stated that he recommended this action because the Committee Members, as Fiduciaries, have the responsibility of being sure that the Fund is being handled in the best interest of the employees. Mr. Knox made a motion that the Committee proceed to intervene in the suit as recommended by Mr. Burke, Mr. DeFranco seconded the motion. A discussion ensued among the Committee Members. At 11:46 Mr. Bianchi requested a short recess in order that the Committee Members representing management might discuss the matter independently. At 11:48, management representatives returned, the

Chairman restated the motion and requested a vote, and the Committee unanimously approved the motion.

The Chairman asked for the approval of the Minutes of the 389th Meeting, held May 18, 1981. On a motion by Mr. Bianchi, seconded by Mr. Knox, the Committee unanimously approved the Minutes of the 389th Meeting, held May 18, 1981.

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. Hall, seconded by Mr. DeFranco, the Committee unanimously approved the Survivorship Options.

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

The Secretary presented seventeen (17) Applications for Retirement. On a motion by Mr. Knox, seconded by Mr. Hall, the Committee unanimously approved the retirements.

The Secretary reported that four (4) employees, who are receiving Disability Retirement Benefits, were examined or their files were reviewed.

The Secretary presented nineteen (19) refunds, totaling \$160,261.37 for approval. On a motion by Mr. Morris, seconded by

Mr. Knox, the Committee unanimously approved the refunds of contributions to be paid June 30, 1981.

The Secretary presented the Report of Deposits, Disbursements and Investments noting that there was a computer problem and brought to the Committee's attention changes which had been in the report. The Secretary asked Mr. Nagel, the Financial Analyst, to explain the discrepancy. Mr. Nagel informed the Committee that there had been a keypunch error whereby a transaction was coded as a contribution. Mr. Nagel noted that the difference in the figure was approximately \$162,000. The Secretary then reported that the total cash and investments, as of May 31, 1981, were \$440,166,227.82.

On a motion by Mr. Bianchi seconded by Mr. Knox, the Committee unanimously approved the Secretary's Report.

The Secretary presented one (1) Chicago Transit Authority bill, totaling \$37,945.28, six (6) Operating Bills, totaling \$34,005.22, and seven (7) remittances, totaling \$240,675.56. On a motion by Mr. DeFranco, seconded by Mr. Knox, the Committee unanimously approved payment of the bills and remittances totaling \$312,626.06.

The Secretary submitted for approval twenty-four (24) Death Benefits, totaling \$53,500.00, for payment June 30, 1981. On a motion by Mr. Morris, seconded by Mr. Hall, the Committee unanimously approved payment of the Death Benefits, as per the

attached list.

The Chairman brought to the Committee's attention the matter of the Fiduciary Liability Insurance coverage and asked Mr. Burke to give a report on its status. Mr. Burke briefly brought the Committee up to date on the Fiduciary Coverage and recommended that the Committee purchase the coverage at the \$5,000,000 limit. A motion was made by Mr. Knox and seconded by Mr. Bianchi that the Committee approve the purchase the Fiduciary Insurance. A discussion ensued between the Committee Members, after which Mr. Knox amended his motion stating that the coverage be increase to \$10,000,000, at a premium of \$15,938.00 for one (1) year; further, that the Secretary and counsel continue to look for coverage whereby the Committee be covered separately and report back to the Committee within two (2) months. The Committeeé unanimously approved the amended motion.

The Secretary brought to the Committee's attention the matter regarding the data processing needs of the Secretary's Office. The Secretary asked Mr. Bonner of the Datacenter Department to explain the proposal which had been presented to the Committee at a previous meeting. Mr. Bonner presented a copy of the proposal to the Committee Members for their perusal. He then explained that the Authority had an existing system which could be modified to take care of the needs of the Secretary's Office. Mr. Bonner stated

that it would be possible to obtain the service through the Dyatron Corporation at a cost of \$35,000 plus \$10,000 for possible training and modification of the system. A discussion ensued between Mr. Bonner and the Committee after which a motion was made by Mr. Bianchi that the Committee approve the purchase of the service and that legal counsel proceed with the necessary steps to enter into the necessary contract with the Dyatron Corporation. Mr. Kasmer seconded the motion and the Committee unanimously agreed.

The Chairman made a motion that the matter of the Pension Fund participation in the Chicago Transit Authority Financing be deferred until a later time, Mr. Kasmer seconded the motion and the Committee unanimously agreed.

The Chairman brought to the Committee's attention the Securities Lending Program. Mr. Burke explained the program to the Committee Members. A discussion ensued between Mr. Burke and the Committee during which it was agreed that Mr. Burke meet with representatives from Continental and the Secretary's Office make arrangements to have representatives from Continental to attend a meeting and present the program to the Committee again

The Secretary informed the Committee that Mr. Patrick J. Hoey had withdrawn his option application, which was approved at the January 19, 1981 Meeting. Mr. Hoey decided to delay his retirement.



The Secretary informed the Committee that it was necessary to appoint the Auditor and Actuary for the Plan Year 1981. On a motion by Mr. Bianchi, seconded by Mr. O'Mahony, the Committee unanimously agreed to retain Arthur Young & Company as Auditor and The Wyatt Company as Actuary for the Plan Year 1981.

Mr. Hegarty asked about the replacement of Mr. Heatter and whether the Committee would make the final decision as to who is hired for that position. A discussion ensued between Committee Members and it was agreed that the applications of those individuals being considered for the position be reviewed by representatives of the Committee for a decision as to who would be hired for the job.

On a motion by Mr. Kasmer, seconded by Mr. Knox, the Committee unanimously agreed to adjourn at 1:02 P.M.

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SECRETARY  
RETIREMENT ALLOWANCE COMMITTEE

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CHAIRMAN  
RETIREMENT ALLOWANCE COMMITTEE

DATED \_\_\_\_\_