

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 396th Meeting of the Retirement Allowance Committee was held on Monday, December 21, 1981, in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

Mr. W. Ashley	Mr. I. Thomas
Mr. C. Hall	Mr. J. Weatherspoon
Mr. P. Kole	

Mr. L. Brown, alternate for Mr. A. Kasmer, was present. Mr. H. Hegarty, alternate for Mr. C. Knox, was present. Mr. W. Mansker, alternate for Mr. S. Bianchi, was present. Mr. L. Wool, alternate for Mr. J. Gallagher, was also present. Mr. J. Gallagher was able to join the meeting at a later time. Neither Mr. R. Kren nor his alternate was present. Messrs. A. Kemp, R. Goldman and L. Morris were present. Messrs. R. Fleming, D. Lemm, G. Nagle and Ms. C. Cox were present. Messrs. E. Hamilton, W. Leszinske and Ms. K. Ford of Continental Bank were present. Mr. R. Harrell of Lowry, Raclin, Harrell and Howerdd was present. Mr. J. Baratka of The Wyatt Company was present. Mr. B. Scholz, Pensioner, was present. Mr. Chris Manning of Mr. Burke's Office was present acting as a representative for the Plan Attorney.

The Secretary called the meeting to order at 10:37 A.M. The Secretary informed the Committee that the Chairman would be late arriving and it would be necessary to appoint a Chairman Pro Tempore. On a motion by Mr. Kole, seconded by Mr. Brown, the Committee unanimously appointed Mr. J. Weatherspoon as Chairman Pro Tempore.

The Secretary introduced to the Committee the new Director of Pensions, Mr. Raymond Fleming and the new Superintendent of Pensions, Mr. Donald Lemm. He also introduced Mr. Chris Manning of Mr. Burke's Office, who was representing the Plan Attorney in his absence.

The Secretary passed out to the Committee Members for their perusal a letter from Mr. Burke regarding the Employer Contributions owed the Plan by the Authority. The Chairman suggested that since this item was on the agenda for discussion we proceed with the meeting.

Mr. Leszinske presented to the Committee a letter, dated December 10, 1981, titled "November Market Summary." (A copy is attached to these Minutes).

Mr. Leszinske noted that there had been a very strong appreciation in the bond market and a substantial drop in interest rates during the month. He noted that the bonds in the portfolio had appreciated on the order of 18 to 20 per cent and the last two months had proved to be the strongest rally in the history of the bond market. The trend toward lower rates will continue, although it will be at a slower pace and in a very erratic fashion. He explained that the reason for the dramatic decrease in rates was due to such factors as the weakness in the economy and the unemployment rate. Mr. Leszinske stated that there would be a positive impact in the economy during the latter half of 1982.

Mr. Hamilton brought to the Committee's attention the Pension Realty Income Trust A and the Trustee's concerns regarding participation in this investment venture. He stated that since September, the

Trustee had investigated and reconsidered the matter and was now reporting to the Committee that the Trustee had changed their position and would go along with the 15 million dollar investment in the Pension Realty Income Trust A.

Mr. Harrell of Lowry, Raclin, Harrell and Howerdd presented his report noting that in October, 1981 a 40 million dollar cash equivalent was funneled back into the Fund. He also noted that from a debt/equity standpoint the Fund was in an extremely good position with the market having completed November at 1.17 times book value. Mr. Harrell turned the Committee's attention to the quarterly investment report noting the performance of each money manager in comparison with that of the S&P 500. Mr. Harrell noted that the Fund's total gains in the separate account, from inception of the program in 1977, was \$90,300,000 and stated that had the same amount of money been placed in the mutual fund the gain would have been \$90,194,000. Mr. Harrell stated that presently there was no advantage seen for having gone directly into the commingled fund but all data suggests that over a period of time the longer on board with the manager, the more the results will look like and emulate the commingled fund results. Mr. Harrell then brought to the Committee's attention the internal fund report and explained that it has two major purposes; to allow the adjustment of the debt/equity ratio without having to move money back and forth from investment managers and secondly, to incorporate both growth and income in one account. Mr. Harrell reviewed the investment analysis and stated that in a future report he would have the numbers combined so that a dollar-weighted return

could be shown from the inception of the account, combining both the growth and income, and get credit for the cash flow accrued through the first of the year.

The Chairman asked for approval of the Minutes of the 395th Meeting, held November 16, 1981 and the Special Meeting, held November 5, 1981. The Secretary brought to the Committee's attention a change on page 6 of the Minutes of the 395th Meeting.

On a question by Mr. Hall regarding the decision granting permission for certain employees to apply for a refund of retirement contributions and withholding that permission from others, the Secretary noted that it had been determined that one group had been categorized as "laid off" and the other as "discontinued." The Secretary further stated that after discussion between the Plan Attorney and Committee Members it was decided that the "discontinued" employees could be granted this permission as it would not cause any problems with regard to the Plan. Mr. Thomas asked if anything could be worked out to assist the "laid off" employees as several employees had expressed that they were suffering a financial hardship also. The Secretary turned the Committee's attention to Section 3 of the Plan and noted that the only way the "laid off" employees could receive reimbursement of their contributions was to resign or for the Committee to make a modification of the Plan. A discussion ensued between Committee Members during which Mr. Mansker asked that a Legal Opinion be provided by the Plan Attorney. The Chairman suggested that along with securing the Legal Opinion from the Plan Attorney, a committee be set up to address the issue and the possibility of modifying the Plan.

On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved the Minutes of the 395th Meeting, with the submitted changes, and the Minutes of the Special Meeting.

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

The Secretary presented thirty-three (33) Survivorship Options, noting that there had been a change in the type of option originally applied for by an employee. On a motion by Mr. Wool, seconded by Mr. Thomas, the Committee unanimously approved the Survivorship Options, including the change.

The Secretary presented four (4) Pre-Retirement Surviving Spouse Options noting that an option had been submitted by two "discontinued" employees; Richard A. Karst and Shelton R. Jenkins. The Secretary stated that due to the circumstances there was a question as to their eligibility for an option. A discussion ensued between Committee Members after which a motion for approval of all four (4) Pre-Retirement Options was made by Mr. Hall, seconded by Mr. Mansker, and unanimously approved by the Committee.

The Secretary presented one hundred forty-five (145) Applications for Retirement requesting that the application for Charles D. Brown be made retroactive to December 1, 1981 and noting that the application received from Rocco Zazzara was submitted as being "executed under protest." A discussion ensued between the Committee Members during which, upon suggestion by the Secretary, it was decided that Mr. Zazzara's retirement application be held in abeyance until the matter could be cleared up and a new application received not filed under protest, which would be approved as being retroactive

to January 1, 1982. The Committee also asked that the Plan Attorney submit a Legal Opinion on the subject to help clarify the phrase "executed under protest" if the new application contained such wording. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved the one hundred forty-four (144) applications, including the retroactivity of Mr. Charles D. Brown and the holding in abeyance of Mr. Zazzara's original retirement application until clarified and a new application received not filed under protest, which would be made retroactive to January 1, 1982.

The Secretary reported that three (3) employees who are receiving Disability Retirement Benefits were examined or had their files reviewed.

The Secretary presented forty (40) refunds, totaling \$343,456.87. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved the refunds of contributions to be paid December 31, 1981.

The Secretary presented the Report of Deposits, Disbursements and Investments noting that the cash and investments as of November 30, 1981 was \$471,040,250.73.

Mr. Kole informed the Committee that a payment was being made by the Authority toward the monies owed the Plan for employer contributions. He further stated that, as mentioned in the letter from Mr. Burke, the Authority had made payments on this indebtedness the last two months. The Chairman asked what the balance due was at this time. Mr. Kole responded that the Authority still owed approximately 18 million dollars.

The Secretary presented one (1) Chicago Transit Authority

bill, totaling \$32,255.14; three (3) operating bills, totaling \$8,772.89; and eight (8) remittances, totaling \$265,005.21. The Secretary also informed the Committee that a question had been raised at a Budget Meeting as to the withholding of monthly payments to the Authority by the Plan. The Committee agreed to continue withholding the monies owed the Plan. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved payment of the bills and remittances in the amount of \$305,983.24.

The Secretary submitted for approval thirty-four (34) Death Benefits, totaling \$65,000.00 for payment December 31, 1981. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary informed the Committee that forty-four (44) refunds had been made to Security Department personnel under the special refund reimbursement program on December 18, 1981, in the amount of \$454,436.15. He further noted that the refunds were made on contributions and earned interest up to December, 1980. The Secretary also noted that there had been several requests from employees asking that their refund be made in January, which will be done in the regular monthly payment. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved the special refund of retirement contributions made December 18, 1981.

The Secretary brought to the Committee's attention the situation surrounding Louis Wade and brought them uptodate as far as his present status. He noted that although Mr. Wade's benefits under the T&P Disability Retirement Plan had been withheld, he had

not been transferred back to the Authority. The Secretary suggested that the Committee take the necessary action to make this transfer as the Committee should no longer be involved in the matter. On a motion by Mr. Kole, seconded by Mr. Hegarty, the Committee unanimously agreed that Mr. Louis Wade be transferred from the T&P Disability Retirement rolls to the Authority.

The Secretary brought to the Committee Member's attention the matter of former Evanston Bus Company Employees' eligibility to receive the payment of hospitalization premium benefit, as provided under the Plan for those employees of the Authority and predecessor companies. He noted that it had been established that the Evanston Bus Company was not a predecessor company of the Authority and informed the Committee that a Legal Opinion had been issued by the Plan Attorney which stated that these individuals were not eligible for this benefit. The Secretary also informed the Committee that prior to the June, 1980 retirement of Robert W. Flood, all former Evanston Bus Company employees who had retired received the benefit because it was paid for by the Authority. However, during the last negotiations this payment was transferred to the Retirement Plan which does not cover these individuals. He also noted that after investigation it had been brought to the Secretary's attention that due to this change, Mr. Flood owed the Plan approximately \$1,300.00. A discussion ensued between Committee Members during which it was agreed that the matter be held in abeyance until the Plan Attorney could review it and instruct the Committee on how to handle the matter.

As a point of information to the Committee, the Secretary announced that the new Retirement Plan Booklets had been distributed and a letter regarding the new Hospitalization and Dental Premiums was being mailed to all retired employees.

The Secretary also informed the Committee that a check in the amount of \$49,301.99, which represents the Retirement Plan's portion of the settlement in the class action suit against Penn Central, had been received. Mr. Gallagher asked what percent of the actual loss did this settlement amount represent. The Secretary stated that he was not certain but knew that it was considerably smaller than the actual loss.

As a point of information, the Secretary informed the Committee that Mr. William Levin, whose application for retirement was approved at the November 16, 1981 meeting, was withdrawing the application and reapplying for retirement in January, 1982.

The Secretary asked the Committee for approval to withdraw Michael Brennan's name from the Plan's checking account and recommended that Raymond Fleming's name be added. On a motion by Mr. Kole, seconded by Messrs. Wool and Thomas, the Committee unanimously approved.

The Secretary brought to the Committee's attention the retirement application for Mr. J. Muhammad, which had been approved at the October meeting, to be effective November 1, 1981. The Secretary informed the Committee that a request had been made for reconsideration asking that the employee's retirement be made retroactive to October 1, 1981 because of his physical condition and the fact that he was actually eligible to retire at that time. On a motion by

Mr. Wool, seconded by Mr. Gallagher, the Committee uannimously agreed to change Mr. Muhammad's effective retirement date from November 1, 1981 to October 1, 1981.

Mr. Hegarty brought up the question of the "overfunding" of the Pension Plan and asked if a study could be made by the actuary. A discussion ensued between Mr. Baratka of The Wyatt Company and Committee Members. Mr. Baratka was asked to provide a cross calculation study based on contributions and value of accrued benefits whereby employees with 25 and 30 years of service could retire with full retirement benefits. Mr. Baratka stated that he would provide the study which he would send to the Secretary's Office.

On a motion by Mr. Hall, seconded by Mr. Kole, the Committee unanimously agreed to adjourn at 12:32 P.M.

SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED January 18, 1982