The 384th Meeting of the Retirement Allowance Committee was held on Monday, December 15, 1980, in the Board Room, Room 734, Merchandise Mart. The following were in attendance:

Mr. W. Ashley  Mr. P. Kole
Mr. S. Bianchi  Mr. R. Kren
Mr. J. Gallagher  Mr. E. Langosch
Mr. R. Goldman  Mr. J. Edwards (Alternate for Mr. T. O'Mahony)
Mr. C. Knox  Mr. J. Weatherspoon

Messrs. C. Heatter, A. Kasmer, H. Hegarty, L. Morris and T. O'Mahony were also present. Messrs. J. Bidwill, M. Brennan, G. Nagle, W. Spears, Ms. D. Etscheid and Ms. C. Cox were present. Messrs. W. Leszinske, E. Hamilton and Ms. K. Alsip of Continental Bank were present. Mr. R. Harrell of Lowry, Raclin, Harrell and Howerdd was present. Mr. R. Burke, the Plan Attorney, was also present.

The Chairman called the meeting to order at 10:43 A.M.

Mr. Leszinske presented to the Committee a letter, dated December 12, 1980, titled "November Market Summary." (A copy is attached to these minutes).

Mr. Leszinske asked the Committee to note that there were no transactions in the portfolio during the month. He also informed the
Committee that the Fund currently has about $14 million in cash equivalents out of a total of $80 million. This represents approximately 17-1/2% in cash reserves. Mr. Leszinske stated that the total reserves are in the neighborhood of 19-1/2% to 21% and could go higher. He also noted that during the last three month period, CDs were in the range of 14.35% to 17.6%. However, during the current period they would be about 21%. Mr. Leszinske further noted that the reason for the upward skyrocketing of rates are two-fold; inflation and financing of inventories and the fact that corporate businessmen are not willing to finance on the long-term bond market.

Mr. Gallagher asked if Continental Bank still felt optimistic regarding the housing starts during the second quarter of 1981. Mr. Leszinske responded in the affirmative, however, he did indicate that Continental Bank had lowered their estimation on housing starts because they do not feel that rates are going to fall as low as had been anticipated. He also stated that there would be a very slow recovery.

Mr. Gallagher asked approximately when this change would be seen. Mr. Leszinske responded at the beginning of the year, possibly the first quarter, we would see some of the pressures subsiding.

Mr. Leszinske completed his presentation at 10:45 A.M.

Mr. Harrell presented his report pointing out that the most important factor to look for when reviewing the report was the
measurements of risk taken by the managers. He further indicated that the important points to look for when measuring risks are: the quality of stocks bought, the relative earnings and the yield on accounts.

Mr. Harrell continued by explaining that the means of measuring the rate of return would be the aggregate of the dividend yield and the internal growth.

In response to a question by Mr. Gallagher, Mr. Harrell explained that internal growth was the growth of the book value of assets retained by the corporation.

There ensued a discussion in which it was pointed out that in the case of E. W. Axe, the Retirement Plan has invested roughly 85% to 90% in a Separate Account with the remainder in the Commingled Mutual Fund. Mr. Harrell also pointed out that E. W. Axe uses an aggressive growth method of investing, which is what they are hired to do.

Mr. Harrell continued his presentation giving a brief performance review on each manager.

Mr. Gallagher asked Mr. Harrell if it would be possible for him to give a basic course on investing and investment terminology. It was agreed that the Secretary would contact the Committee Members as to the time and place for this special meeting.

Mr. Harrell then presented a chart which illustrated the historical ten year rates of return as related to the Price to Book Ratio at the time of investment. Mr. Harrell explained that the Price to Book
Ratio, at the end of November, had exceeded 1.5% and it was his recommendation that new contributions be funneled into cash and equivalents. He further stated that with the Committee's approval, he would write a letter to Continental Bank informing them to take this action.

A discussion ensued between Messrs. Gallagher, Knox and Harrell during which it was pointed out that we are currently at a debt-equity ratio of 27 to 73 and that we would not withdraw any money currently invested in equities. The debt-equity ratio would be changed by funding net income to the Fund into cash equivalents.

Mr. Harrell completed his presentation at 11:28 A.M.

The Chairman asked for approval of the Minutes of the 383rd Meeting, held November 17, 1980. On a motion by Mr. Kole, seconded by Mr. Gallagher, 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 eleven (11) Survivorship Options for approval. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the Survivorship Options.

The Secretary presented nine (9) 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 one hundred nine (109) Applications for Retirement, including a Disability Retirement for Joe L. Bogan to be made retroactive to November 1, 1980; and a Disability Retirement for Phyllis E. Phillips to be made retroactive to December 1, 1980. On a motion by Mr. Kole, seconded by Mr. Gallagher, the Committee unanimously approved the retirements, including the retroactive Disability Retirement of Mr. Joe L. Bogan and Ms. Phyllis E. Phillips.

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

Mr. Hegarty asked if Mr. Arthur Schoenke, who was found fit to return to duty but for whom there was no job available, would continue to receive disability benefits. The Secretary replied that under Section 12 of the Plan an employee found fit for duty but for whom there is no job available would continue to receive benefits until he is placed in a position.

The Secretary presented twenty-four (24) refunds, totaling $232,087.27 for approval. On a motion by Mr. Kole, seconded by Mr. Knox, the Committee unanimously approved the Refunds of Contributions to be paid December 31, 1980.

Mr. Gallagher asked what the time lapse was for an individual to receive a refund of contributions. The Secretary responded that the Secretary's Office has 120 days in which to pay a refund of contributions.
He further explained that all refund applications must first be cleared by the Authority. The applications are then processed by the Secretary's Office and presented to the Committee for approval at the monthly meeting. After approval, payment is made on the last working day of the month.

The Secretary stated that any refund application received by the Secretary's Office after the monthly meeting, is held for approval by the Committee at the following meeting.

Mr. Knox asked if there were any circumstances under which an employee's refund check is held. The Secretary responded that under the Retirement Plan Rules, a refund check cannot be held. Mr. Knox asked about refund checks being sent to a credit union. The Secretary explained that if an employee signs a release for the refund check to be sent to a credit union, the Secretary's Office honors this request. He further explained that the only liens that the Secretary's Office has honored in the past are those from the Internal Revenue Service or a Court Order.

Mr. Heatter informed the Committee Members that if at any time there was a refund that they wanted processed to contact the Secretary's Office prior to the 10th of the month in order to get it audited and set up for payment at the end of the month.

The Secretary presented the Report of Deposits, Disbursements and Investments.

The Secretary presented for approval one bill from the Authority.
totaling $30,723.07, four operating bills totaling $20,615.92 and four remittances totaling $204,453.88.

On a motion by Mr. Kole, seconded by Mr. Gallagher, the Committee unanimously approved payment of the bills and remittances totaling $255,792.87.

The Secretary submitted for approval twenty-one (21) Death Benefits totaling $47,500.00 for payment on December 31, 1980. On a motion by Mr. Kole, seconded by Mr. Gallagher, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary brought up the Direct Deposit Procedure. He informed the Committee of Mr. Heatter's suggestion to have an article, including a request for an enrollment form, placed in the Transit News rather than sending individual letters. The Secretary asked that Locals 241 and 308 peruse the draft making any changes and/or recommendations and return to the Secretary's Office in one week in order that the final article could be written for printing. The Committee unanimously agreed to the use of this procedure for transmittal of the information on the Direct Deposit Procedure to retired employees.

The Chairman asked for nominations for election of the Chairman for Plan Year 1981. Mr. J. Edwards nominated Mr. J. Gallagher and Mr. P. Kole seconded the nomination. There being no further nominations, the Committee unanimously elected Mr. J. Gallagher as Chairman for Plan
Year 1981.

Mr. Gallagher accepted the appointment as Chairman and asked the Committee for their continued support.

Mr. E. Langosch informed the Committee of his retirement on January 31, 1981 and stated that Mr. A. Kasmer would replace him as Member on the Committee.

The Secretary presented a request from Mr. Thomas Malone, who was asking for a 90-day extension for repayment of $989.08 in retirement contributions; Mr. Malone was reinstated on September 23, 1980. On a motion by Mr. Edwards, seconded by Mr. Langosch, the Committee unanimously approved the 90-day extension of repayment of contributions for Mr. Thomas Malone.

The Secretary reported that Mr. Jerry Blount, who was granted a 150-day extension for repayment of $4,551.04 in retirement contributions, failed to reimburse the Plan. Therefore, Mr. Blount's new Pension Seniority Date is May 21, 1980.

The Secretary reported the withdrawal of four Option Applications; one for Mr. George Arendt, who decided to make a change in the type of Option, one for Mr. Henry Ziolkowski, who decided not to take an Option, one for Mr. J. R. Boland, who decided not to retire, and one for Mr. A. B. Salvaggio, who decided not to take an Option.

The Secretary asked Mr. Burke to give a report on the latest information regarding the Penn Central Litigation. Mr. Burke informed
the Committee that he had received a letter from Mr. Gordon regarding a change in the settlement status. He explained that instead of receiving a fixed sum, it had been decided that the settlement would be made on a pro-rata basis. The amount of loss would be the measure used to determine what each plaintiff would receive. Mr. Burke stated that this new development would probably result in a smaller amount of recovery than the $67,000.00 previously quoted by Mr. Gordon.

Mr. Burke explained that the actual amount recovered would depend on the percentage of plaintiffs filing a claim. For example, if 100% of the plaintiffs file a claim, the Retirement Plan's share would be approximately $53,000 to $54,000. If 80% filed a claim, the Retirement Plan would recover more than the $67,000. He stated that the revision in the settlement status is not an inequitable method of distribution and recommended that the Committee not change their approval for settlement.

The Secretary asked Mr. Burke if it would be possible for each Committee Member to have a copy of Mr. Gordon's letter. Mr. Burke responded in the affirmative.

Mr. Gallagher asked if the change in settlement status was due to our attorney negotiating with other claimant's or a result of a court ordered reevaluation. Mr. Burke responded that it was due to two reasons; the other plaintiffs who had more of a loss felt that the original means of distribution was inequitable and a reevaluation by the judge in charge of the hearings.
The Secretary directed the Committee's attention to two letters regarding Fiduciary Liability Insurance Coverage for Retirement Plan Committee Members, Alternates, Board Members, and Deferred Compensation Committee Members. He explained that once the Fiduciary Liability Coverage was accepted, the premiums would be pro-rated for those individuals who are in multiple positions in order that the Authority assume a portion of the premium payment.

The Secretary asked Mr. Burke to elaborate on the Fiduciary Liability Coverage. Mr. Burke explained that the policy being offered was broad and inclusive and because of the size of the Fund being administered by the Committee, he would recommend that they have the coverage. He further explained some of the kinds of claims which surveys show are being filed; i.e., improper computation of benefits, errors in decisions as to which employees are eligible for coverage, and errors in the amount of coverage.

The Secretary asked the Committee Members to peruse the information provided for further discussion at the next meeting.

Mr. Hegarty asked what the Deferred Compensation Committee was and what it had to do with the Retirement Committee. The Secretary explained that the Deferred Compensation Committee was a separate entity for which the Authority would assume a portion of the premium.

A discussion ensued in which Mr. Burke pointed out that the number of claims filed are increasing and in several instances repre-
sented substantial amounts. Mr. Burke stated that his recommendation of $5,000,000 is based upon his research of several studies relating to the size of the funds involved. It was decided that the cost would be broken out as to the Retirement Committee being a separate entity and presented at the next meeting for further discussion.

There being no further business, on a motion by Mr. Goldman, seconded by Mr. Langosch, the Committee unanimously agreed to adjourn at 12:05 P.M.

W. A. Ashley
SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

Paul J. Kole
CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED JANUARY 19, 1981