RETIRED PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 394th Meeting of the Retirement Allowance Committee was held on Monday, October 19, 1981, in the Datacenter Conference Room, Room 450, Merchandise Mart. The following were in attendance:

Mr. W. Ashley  Mr. C. Knox
Mr. S. Bianchi  Mr. P. Kole
Mr. C. Hall    Mr. I. Thomas
Mr. A. Kasmer  Mr. J. Weatherspoon

Mr. L. Wool, alternate for Mr. J. Gallagher, was present.
Neither Mr. R. Kren, nor his alternate was present.

Messrs. L. Brown, R. Goldman, H. Hegarty, and A. Kemp were present. Messrs. M. Brennan, G. Nagle and Ms. C. Cox were present. Messrs. E. Hamilton, W. Leszinske, G. Noffsinger and Ms. K. Ford of Continental Bank were present. Mr. J. Baratka of The Wyatt Company was present. Mr. R. Harrell of Lowry, Raclin, Harrell and Howard was present. Mr. B. Scholz, Pensioner, was present. Mr. R. Burke, the Plan Attorney, was also present.

The Secretary called the meeting to order at 10:35 A.M. indicating that in the absence of the Chairman it would be necessary to appoint a Chairman Pro Tempore. On a motion by Mr. Bianchi, seconded by Mr. Kasmer, the Committee unanimously appointed Mr. Weatherspoon Chairman Pro Tempore.
Mr. Leszinske presented to the Committee a letter, dated October 9, 1981, titled "September Market Summary." (A copy is attached to these minutes).

Mr. Leszinske noted that short rates declined substantially during the last quarter and long rates were going up. He explained that the reason for this was due to confusion by bond purchasers and bond investors as to what is going to transpire in the future. The trend of short rates will continue and they will be coming down and the long rates will continue to move down as we are in a very slow period in the economy. Mr. Leszinske stated that the demand for money is going to slack off and rates will continue to decline.

Mr. Hamilton turned the Committee's attention to a letter from Continental Bank which expressed some concerns regarding the Pension Realty Income Trust A. Mr. Bianchi asked if this item could be postponed until later in the meeting when Messrs. Gallagher and Kole would be present. It was agreed that the matter be held in abeyance until such time as Messrs. Gallagher and Kole had joined the meeting.

The Chairman asked for the approval of the Minutes of the 393rd Meeting, held September 17, 1981. On a motion by Mr. Knox, seconded by Mr. Thomas, the Committee unanimously approved the Minutes of the 393rd Meeting, held September 17, 1981.

The Secretary made the announcements of deaths reported since the last meeting, as per the attached list.
The Secretary presented four (4) Survivorship Options for approval. On a motion by Mr. Bianchi, seconded by Mr. Hall, the Committee unanimously approved the Survivorship Options.

The Secretary reported that there were no Pre-Retirement Surviving Spouse Options to be presented at this meeting.

The Secretary presented eighteen (18) Applications for Retirement. The Secretary informed the Committee that there were two (2) retroactive applications being submitted by the Transportation Department; Leona S. Maskin, to be made retroactive to October 1, 1981 and Julia A. Brousek, to be made retroactive to October 1, 1981. On a motion by Mr. Wool, seconded by Mr. Knox, the Committee unanimously approved the Applications for Retirement including the retroactive applications for Leona S. Maskin and Julia A. Brousek.

The Secretary reported that eleven (11) employees who are receiving Disability Retirement Benefits were examined or their files were reviewed.

The Secretary presented twenty-nine (29) refunds, totaling $241,333.21 for approval. On a motion by Mr. Kole, seconded by Mr. Hall, the Committee unanimously approved the refunds of contributions to be paid October 31, 1981.

The Secretary presented the Report of Deposits, Disbursements and Investments noting that as of September 30, 1981 the total cash and investments was $459,295,407.19.
The Secretary presented two (2) Operating Bills, two (2) Chicago Transit Authority bills and seven (7) Remittances, totaling $285,248.76. The Secretary informed the Committee that pursuant to Mr. Gallagher's instructions at the last meeting, his office was withholding payment of the Chicago Transit Authority bills until further notice. On a motion by Mr. Kole, seconded by Mr. Wool, the Committee unanimously approved payment of the bills and remittances.

The Secretary submitted for approval thirty-five (35) Death Benefits, totaling $83,000 for payment: October 31, 1981. On a motion by Mr. Hall, seconded by Mr. Kole, the Committee unanimously approved payment of the Death Benefits, as per the attached list.

The Secretary reported to the Committee that an investigation had been made by his office to ascertain why Mr. John Radman had not applied for a Retroactive Disability Retirement. The Secretary stated that during an interview on August 26, 1981, Mr. Radman acknowledged that he was aware that he was eligible for a September 1, 1981 retirement but he hoped to return to duty. Upon not being approved for return to duty, Mr. Radman decided to apply for Disability Retirement on October 1, 1981.

As points of information to the Committee, the Secretary reported the following: Patrick M. O'Connor cancelled his Option (B) 1/2; Joseph F. Fabits, Sr. cancelled his Option (B) ALL; Benjamin Jacobs retired May 1, 1981, returned to duty September 16, 1981; and, Lawrence D. Latham, retired December 1, 1980, returned
to duty June 22, 1981.

Mr. Hamilton brought to the Committee's attention the matter of the Pension Realty Income Trust A and indicated that as Trustee, Continental Bank had researched this investment and referred the Committee to his letter of October 19, 1981. He stated that due to the lack of historical investment performance information as is available in the equity accounts and the lack of depth in management and continuity, the Continental Bank did not feel it appropriate to transfer funds to Pension Realty Income Trust A. He further stated that it was the Trustee's opinion that the Committee hold off until a later time before becoming involved in the Pension Realty Income Trust A.

Mr. Harrell voiced a concern over the fact that the Committee was allowing someone else to make a decision that he felt should be left up to them to make. Mr. Harrell stated that as far as the depth of management and continuity of the Pension Realty Income Trust A was concerned, he was in the process of interviewing an additional staff person who is not only an expert in real estate but is also an attorney. He noted that the historical performance record is a primary ingredient for equity managers and fixed income managers, however, real estate is somewhat different in that there is no long term performance measurements available. Further, in the past, the real estate ventures had been either all equities or
all mortgages but this particular vehicle is a hybrid as it involves mortgages with equity participation. Mr. Harrell stated that since this is a new type of real estate investment venture there naturally is no historical performance information available. He further indicated that at the time the Fund invested in Continental Bank's Real Estate Investment Trust, there was no historical investment performance either. Mr. Harrell then reminded the Committee that the permanent part of the Fund in Fixed Income should be 20%. He recommended that 25% should be invested in real estate. This particular real estate would lower the volatility of the Fixed Income and provide a rate of return over and above the coupon rate due to the equity participation. He further stated that it was his opinion that the Real Estate Investment Trust A is a sound and prudent investment and he again recommended that the Committee invest 15 million dollars.

A discussion ensued between the Committee Members, Messrs. Hamilton, Leszinske and Burke. Mr. Burke stated that if the Committee wanted to exclude this particular investment from the Trust Agreement it could be done by amending the Trust Agreement. However, in doing so, the Trustee would not have Trustee responsibility for this particular investment. The liability would be placed on the investment managers of the real estate investment trust as they would assume both trustee and investment management responsibilities.
Mr. Kole indicated that prior advice of Mr. Harrell had proven to be both sound and prudent and further the 15 million dollars represented less than 3% of the Fund.

Mr. Knox questioned Mr. Hamilton regarding his main concerns. Mr. Hamilton responded that their main concern was the lack of continuity in the event that something occurred to Mr. Howerdd. Mr. Harrell stated that they were in the process of engaging an additional person but did not want an extensive staff due to the corresponding overhead it would incur. Mr. Bianchi asked what additional risks would the Committee be taking if they went ahead with the Pension Realty Income Trust A against the advice of the Trustee. Mr. Burke stated that if the investment went sour it would add another factor to the evidence in regard to the Trustee having advised the Committee against the investment. It was pointed out by Mr. Kole that the Trustee had cautioned against the changes in the equity investments several years ago also. Further, he indicated that the Committee had made an investment judgment that this was an opportune time to be investing in this type of investment. Mr. Noffsinger of Continental Bank stated that both Continental and the Committee are fiduciaries under the law and have the obligation to invest the Fund in a prudent manner that hopefully will not result in any liability to either party, and, accordingly, you normally do not invest in new and untried ventures. He further stated that since the Trustee had
objected to the venture it left the Committee open for possible criticism as to whether or not they were acting in a prudent manner if something should go wrong. After further discussion, Mr. Kole made a motion that the Plan Attorney do whatever is required legally in order that investment in the Pension Realty Income Trust A could proceed, Mr. Kasmer seconded the motion. On a question by Mr. Knox, Mr. Harrell once again explained the mechanical operations of the Pension Realty Income Trust A. The Committee unanimously agreed that the Trust Agreement be amended to exclude the Pension Realty Income Trust A from the Trust Agreement in order that the Fund could participate in the investment in the amount of 15 million dollars.

The Chairman brought the Committee's attention to the matter of the Authority's nonpayment of Employer Contributions to the Fund and asked Mr. Burke to provide the Committee with the latest report. Mr. Burke stated that the judge had issued an opinion stating that the matter should go to arbitration. He further stated that a petition had been prepared for reconsideration on the basis that the Retirement Plan is a separate entity from the Authority and therefore should be treated thusly. Mr. Burke informed the Committee that there were two options if the judge ruled against the reconsideration; a review by the Appellate Court or action filed with the Federal Court.

The Chairman brought to the Committee's attention the revised Proposed By-Laws and asked Mr. Burke to comment on the matter. Mr. Burke stated that the revised Proposed By-Laws had been sent to
the Secretary who in turn sent a copy to all Committee and Alternate Members. The revised Proposed By-Laws were reviewed and discussed by the Committee and Mr. Burke. On a motion by Mr. Bianchi, seconded by Mr. Kole, the Committee unanimously agreed that the Proposed By-Laws, with the necessary corrections, be approved as presented.

On a motion by Mr. Kemp, seconded by Mr. Wool, the Committee unanimously agreed to adjourn at 11:48 A.M.

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SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

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CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED__________________________