

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 345th Meeting of the Retirement Allowance Committee was held on Monday, October 17, 1977, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. W. Ashley	Mr. W. Spears
Mr. S. Bianchi	Mr. J. Tiffy
Mr. P. Kole	Mr. J. Touhy
Mr. S. Miller	

Mr. Hall, alternate for Mr. Barley, Mr. Kasmer, alternate for Mr. Langosch; Mr. Wool, alternate for Mr. Brabec, were also present. Messrs. DeFranco, Heatter, Hegarty, Hill and Mullen were also present. Mr. Robert Harrell of William Lowry and Associates, Inc. and Mr. William Leszinske of Continental Bank were also present.

The Chairman called the Meeting to order at 10:35 A.M.

Mr. Leszinske began his presentation by referring the Committee to a letter, dated October 11, 1977, indicating Continental Bank's intention to purchase approximately \$6,000,000.00 (6 million) of CIIT Real Estate Fund No. 1 at the end of October. He further indicated that the commitment to the Real Estate Fund over a period of time will be increased to approximately 5-10% of the total Retirement Fund.

Mr. Miller indicated that he felt that the Real Estate Investment was okay providing that the commitment to Real Estate would not exceed 10% of the total Retirement Fund and 20% of the total CIIT Real Estate Fund No. 1.

Mr. Leszinske responded by indicating that the Bank considers Mr. Miller's guidelines acceptable.

A discussion then ensued between Committee Members and Mr. Leszinske concerning the Real Estate Commitment including the attractiveness of Real Estate Investments, Expected Rates of Returns, Real Estate Valuation, and Reporting on an annual basis on Real Estate Fund Performance.

Mr. Leszinske continued his presentation by distributing and reviewing a report on the sales executed by Continental in the Fixed Income Portfolio.

The Chairman stated that Continental Bank, on September 27, 1977, allocated Retirement Fund Equity Investments, with the exception of Fund "E" which will remain under the management of Continental, to five (5) Investment Advisers as recommended by William Lowry and Associates, Inc. The Chairman asked Mr. Leszinske to report on the Retirement Fund asset allocation.

Mr. Leszinske reported that Retirement Fund Equity Investments were allocated as follows:

See Page 3.

CHICAGO TRANSIT AUTHORITY RETIREMENT TRUST

35-40040-7

ASSET ALLOCATION

AS OF SEPTEMBER 30, 1977

<u>Investment Manager</u>	<u>Original Estimated Amount (Mkt)</u>	<u>Market Value Common Stocks Allocated</u>	<u>Cash</u>	<u>Total Allocated</u>
T. Rowe Price	\$ 27,800,000	\$ 18,006,162	\$ 6,700,000*	\$ 24,706,162
E. W. Axe & Co.	9,300,000	8,187,659	2,000,000	10,187,659
Putnam Advisory Co.	31,400,000	30,756,212	2,000,000	32,756,212
Delaware Management Co.	20,000,000	19,129,188	400,000	19,529,188
Capital Guardian Tr. Co.	<u>25,700,000</u>	<u>26,098,850</u>	<u>900,000</u>	<u>26,998,850</u>
	\$114,200,000	\$102,178,051	\$12,000,000	\$114,178,051

* Revised figure - original amount was \$4,700,000

Mr. Robert Harrell of William Lowry & Associates, Inc. indicated that the reason for allocating more assets to Quality Growth Investment Advisers (Putnam) and the Secondary Growth Investment Advisers (Axe - Houghton and T. Rowe Price) is that these investment styles are presently out of favor but are expected to come back in favor in the near future.

Mr. Kole stated that Continental Bank, during the allocation process, was very aware of the interest factor which is applied to employee contributions at the end of the year as provided for in the Retirement Plan and the Continental Bank has made arrangements with an Investment Adviser (T. Rowe Price) not to realize certain losses on securities until after the beginning of the next Plan Year in order that the Committee may apply interest credit to employee contributions at the end of the 1977 Plan Year.

Mr. Leszinske further indicated that the equity investments were transferred, effective October 17, 1977, and are under the jurisdiction of the five (5) new Investment Advisers.

Mr. Kole pointed out that the Committee should understand that until T. Rowe Price sells the securities they are holding in order not to realize losses, the Retirement Fund is not in the position the Investment Subcommittee wants it to be.

Mr. Tiffy asked why Continental did not sell investments that T. Rowe Price is holding.

Mr. Leszinske responded by indicating that Continental believed that the investments T. Rowe Price is holding are good investments.

Mr. Kole indicated that under the new investment approach accepted by the Continental Bank, the Equity Investments will be managed by Investment Advisers with good long term records of performance.

Mr. Spears pointed out that the International Office of the Amalgamated Transit Union has invested a considerable amount of its' pension fund money in Guaranteed Insurance Contracts and asked why this was not considered for the Retirement Fund.

Mr. Harrell responded by indicating that the long term records for Guaranteed Contracts only produce a real rate of return of 2%, whereas, equity investments at a 70-30 Equity Debt Ratio has the probability of realizing a real rate of return of 6½%. Mr. Harrell pointed out that short term periods for Guaranteed Contracts appear attractive but are not so attractive over the longer periods.

After discussion between Committee Members and Mr. Harrell relative to the new Investment Adviser arrangements, Mr. Hill recommended that an article be written and distributed to employees communicating the new Investment Adviser arrangement.

Mr. Kole responded by indicating that it should be just an informative article and not one that may put the Committee in an awkward position relative to promising better returns.

Mr. Kole instructed Messrs. Terrell Hill, Bill Leszinske, Robert Harrell and Craig Heatter to develop an article to inform the rank and file employees of the new Investment Adviser arrangement.

Mr. Hill requested that Mr. Harrell prepare an explanation of the new investment approach to be utilized by Committee Members when called upon by others to explain the investment approach of the

Retirement Plan.

Mr. Harrell responded by indicating that he would do so.

Mr. Harrell presented each Committee Member with a copy of a report, dated October 17, 1977, and reviewed the Performance of Continental Bank for the quarter ended September 31, 1977.

Mr. Harrell indicated that the aforementioned report would be the last one reporting on Continental's Commingled Equity Fund due to the fact that the Equity Investments which were managed similarly to the Commingled Fund have been allocated to the new Investment Advisers.

Mr. Touhy asked if Fund "E" would remain with Continental. The Chairman responded by indicating that it would as long as it performs as well as the new Investment Advisers.

Mr. Leszinske indicated that Continental has made the commitment that if Fund "E" is found not to perform as well as the new Investment Advisers, the assets will be allocated to the Investment Advisers as directed by William Lowry and Associates, Inc.

Each Committee Member was given their personal copy of Messrs. Leszinske's and Harrell's reports. A copy of these reports are part of the Committee's Records in the Secretary's Office.

The Chairman asked for the approval of the Minutes of the 344th Meeting, held September 19, 1977. Mr. Spears indicated that the 3rd paragraph on Page 5 should read as follows:

"The Secretary pointed out that it has been the responsibility of the Locals to send a certified listing reporting the time a union official has spent on normal working days conducting union

business, the amount of earnings that would have been earned working the classification last held with the Authority, deduct 7% of those earnings for pension contributions and forward the listing and contributions for credit and deposit to the Secretary's Office. Mr. Barley indicated that this was not being done, but would implement a procedure to correct this situation once he receives a letter from the Secretary requesting him to do so. Mr. Hegarty indicated that Local 308 has been sending a listing reporting time a union official has spent on normal working days conducting union business, the amount of earnings that would have been earned working the classification last held with the Authority, and deducting 7% of those earnings for pension contributions and forwarding the list and contributions for credit and deposit to the Secretary's Office on a routine basis."

On a motion by Mr. Touhy, seconded by Mr. Kasmer, the Minutes of the 344th Meeting were approved as revised.

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

The Secretary presented five (5) Survivorship Options for approval at this meeting. On a motion by Mr. Touhy, seconded by Mr. Kasmer, the Committee unanimously approved the five (5) Survivorship Options submitted by the Secretary.

The Secretary advised the Committee that there were fourteen (14) Applications for Retirement submitted for approval. The Secretary advised the Committee that among the fourteen (14) applications was one for Mr. Marvin Brinson, which has been requested by the Maintenance Department to be made retroactive to October 1, 1977 due to the fact that the application was not submitted in time to be approved at the last Committee Meeting. On a motion by Mr. Touhy, seconded by Mr. Kasmer, the Committee approved the fourteen (14) applications, including Mr. Marvin Brinson's retroactive retirement to October 1, 1977.

The Secretary reported that during the month, eight (8) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented forty-two (42) refunds totaling \$146,104.63, for approval at this meeting. On a motion by Mr. Kasmer, seconded by Mr. Hall, the refunds to be paid on October 31, 1977, as per the attached statement, were unanimously approved.

The Secretary read a report of deposits, disbursements and investments during the month of September, as per the attached statement.

The Secretary presented the Chicago Transit Authority bills totaling \$14,760.13 and other bills, totaling \$170,807.66. On a motion by Mr. Touhy, seconded by Mr. Miller, the Committee unanimously approved payment of these bills.

The Secretary presented, for payment of October 31, 1977, Death Benefits numbering twenty-six (26) and amounting to \$41,000.00 for approval. On a motion by Mr. Tiffy, seconded by Mr. Bianchi, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary indicated that his office has not received the letter from Local 241 relative to the elimination of the monthly Union Card Receipts mailed to retired employees. Mr. Hall made a note relative to this matter.

The Secretary reported that Mr. William Green has reimbursed all accumulated contributions and earned interest to the Retirement Fund as a result of being reinstated.

The Secretary passed out a letter and an Opinion from Mr. Hastings relative to Military Service Credit Compulsory or Period of Emergency and asked the Committee to hold the discussion in abeyance until Mr. Hastings is available to report to the Committee.

The Secretary reported that on September 21, 1977 he wrote to Mr. Barley requesting a certified listing of all time spent by Mr. James B. Edwards conducting union business during his normal work days since Mr. Edwards' election and has not received a response. The Secretary also indicated that his office has not received a response to a request submitted to Local 241 relative to receiving a certified listing which should include time union officials have spent on normal working days conducting union business, the amount of earnings that would have been earned working the classification held with the Authority, and the amount deducted for pension contributions (7% of aforementioned earnings). He indicated that this certified list should accompany a check for deposit of contributions made in union officials' behalf.

Mr. Hall indicated that he would like to sit down with Mr. Heatter in order to clarify both of the aforementioned matters. The Secretary indicated that Mr. Heatter will be available to work with Mr. Hall.

The Secretary reported that at the September Meeting, the Transportation Department submitted an unsigned Disability Retirement Application based on a conversation with Mr. Willie Bonner, Jr. indicating he would come in and sign the application. Subsequently, on October 14, 1977, the Transportation Department reported that Mr. Bonner has failed to come in to sign the application and thus requested that Mr. Bonner's application be withdrawn from the October Disability Retirements.


On a motion by Mr. Miller, seconded by Mr. Touhy, the Committee unanimously agreed to withdraw Mr. Willie Bonner, Jr.'s application for an October 1, 1977 Disability Retirement.

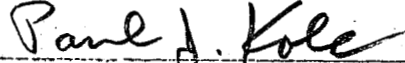
The Secretary reported to the Committee relative to the time between the date on which Mr. James L. Williams pay was discontinued on January 11, 1977 and the date on which Mr. Williams went on Disability Retirement, indicating that between January 11, 1977 the Transportation Department contacted Mr. Williams approximately every two weeks requesting that Disability Retirement Application papers be made, which was to no avail until June 24, 1977 when Mr. Williams filed a Disability Retirement Application for August 1, 1977.

Mr. Spears asked if there was any progress in selecting a Plan Attorney.

Mr. Kole responded by recommending a Subcommittee be designated consisting of Messrs. Barley, Spears, Bianchi and himself in order to review resumes and make a recommendation to the full Retirement Allowance Committee. Mr. Spears suggested alternates be appointed. Mr. Kole indicated that alternates be designated by each Subcommittee Member when necessary.

There being no further business, on a motion by Mr. Touhy, seconded by Mr. Kasner, the Committee unanimously agreed to adjourn at 12:21 P.M.


SECRETARY ~~PROFEMORE~~
RETIREMENT ALLOWANCE COMMITTEE


CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED NOV 21 1977