

RETIREMENT PLAN

FOR

CHICAGO TRANSIT AUTHORITY EMPLOYEES

The 361st Meeting of the Retirement Allowance Committee was held on Monday, December 18, 1978, in the Board Room, Room 734, Merchandise Mart, and the following were in attendance:

Mr. W. Ashley	Mr. S. Miller
Mr. R. Goldman	Mr. T. O'Mahony
Mr. P. Kole	Mr. J. Weatherspoon
Mr. E. Langosch	

Mr. H. Hegarty, alternate for Mr. W. Spears, Mr. T. Hill, alternate for Mr. S. Bianchi, Mr. L. Wool, alternate for Mr. E. Brabec, were present. Messrs. J. Edwards, C. Heatter, L. Morris, and F. Mullen were also present. Mr. J. Bidwill was present. Messrs. E. Hamilton and W. Leszinske were also present. Mr. Robert Harrell of Lowry, Raclin, Harrell and Howerdd was also present. Mr. Richard W. Burke, the Plan Attorney, was also present.

The Chairman called the meeting to order at 10:37 A.M.

Mr. Leszinske circulated a Point to Point Measurement on Fund "E" and a report on the Fixed Income Portion of the Fund to each Committee Member and reviewed the reports. He indicated that Continental continues to hold a large amount of money in short term investments until an investment decision is made.

Mr. Robert Harrell began his presentation by reviewing a report for the Quarter Ending September 30, 1978. Mr. Harrell reported on the Equity Portfolio's Quality Rank, Relative Price/Earning Multiple Rank, Equity Portfolio Yield Rank, Long Term Comparative Performance, Intermediate Comparative Performance,

Short Term Comparative Performance for each investment advisor (E. W. Axe & Co., Inc., Capital Guardian Trust Company, Decatur Income Fund, Inc., two (2) T. Rowe Price Associate Funds, Putnam Management Co., Inc. and Continental Illinois National Bank).

Mr. O'Mahony indicated that it appears that E. W. Axe & Company, Inc. has not been performing well over the last few years.

Mr. Harrell responded by showing the Committee Relative Strength Charts which confirmed Mr. O'Mahony's statement indicating that E. W. Axe & Company, Inc. is, in fact, out of favor and has been over the last three and one-half ($3\frac{1}{2}$) years.

Mr. Harrell referred the Committee to E. W. Axe & Co., Inc.'s Long Term Performance indicating that in accordance with the Investment Philosophy of contrafunding the Committee should be aware that certain investment advisors will be out of style and underperforming during certain periods, but over the long term will have superior rates of return.

Mr. Harrell indicated that E. W. Axe & Company has not aligned the Quality of Stocks with that of the Axe-Houghton Commingled Stock Fund. Mr. Harrell recommended that if this is not done by the end of next quarter Continental should put E. W. Axe on a probationary period until they follow the Investment Guidelines.

Mr. Harrell also recommended that Capital Guardian Trust Company and Putnam Management be contacted and advised that they are required to align the quality of stocks with that of their Commingled Funds.

Mr. Hill asked if the reason that certain investment advisors have not aligned their portfolios was due to not having adequate time to sell securities that Continental Bank was holding. Mr. Harrell responded by indicating that they have had adequate time and they should be, in fact, following the investment guidelines.

Mr. Kole requested that Mr. Hamilton write to each of the aforementioned investment advisors and instruct them to align their portfolios in accordance with the investment guidelines and oral instructions when they were hired.

Mr. Harrell continued his presentation by reviewing the Report on the Fixed Income Portion of the Retirement Fund. Mr. Harrell reviewed the Comparative Performance of the Fixed Income Portion of the Fund for the years 1972 through and including three quarters of 1978. He also reviewed the quarter and year ending September, 1978.

Mr. Harrell continued his presentation and reviewed a Time Weighted Rate of Return Analysis for each investment advisor.

Mr. Kole asked Mr. Harrell if the Time Weighted Rate of Return Analysis included realized losses since the beginning of the year. Mr. Harrell responded in the affirmative indicating the Analysis is based on market values.

Mr. Harrell asked Mr. Leszinske of Continental Bank why there was a variance between Continental's General Fixed Income Fund and the CTA account. Mr. Leszinske responded by indicating that Continental is working on aligning the account to that of the General Account. Mr. Leszinske indicated a considerable amount of the Fund is invested in short term securities and when investment decisions are made in the future Continental will work toward emulating the General Fixed Income Fund.

Mr. Harrell pointed out that there has been a significant improvement in the performance of the Fund and most of the new investment advisors rank in the top 30% of all professionally managed funds according to the Becker Securities Corporation Report in each Committee Member's pass out material.

Mr. Harrell circulated a sheet titled "Guaranteed Investment Contract Proposal." Mr. Harrell indicated that the proposals were accepted in accordance with the directions of the Committee.

Mr. Harrell reviewed the following proposal:

GUARANTEED INVESTMENT CONTRACT PROPOSAL

EVALUATION SHEET

FACE AMOUNT: ----- \$10,000,000

MATURITY: ----- 5 YEARS

<u>Issuer</u>	<u>Guaranteed Rate of Interest</u> <u>Compounded Annually</u>	
	<u>Gross</u>	<u>Net of Expenses</u>
Aetna Insurance Co. (6) (Quoted for 10 yrs. only)	8.75	8.75
Bankers Life Co. (14) (New money rate <u>only</u> on interest)	9.20	9.18
Connecticut Gen'l Life (7)	8.87	8.86
Crown Life Insurance	9.25	9.25
Equitable Life Insurance (3)	(Not in the market at this time.)	
John Hancock Mutual Life (5) (Quoted for 4 yrs. with payout over <u>following</u> 4 yrs.)	8.85	8.82
Metropolitan Life Ins. (2)	9.10	8.94
New York Life (4)	8.85	8.82
Prudential Life Ins. (1)	(Not in the market at this time.)	
Travelers Insurance (9) (Withdrawal restrictions at Contract discontinuance)	8.85	8.81
Union Labor Life Ins.	9.00	8.68
Union Mutual Life Ins. Co. (Quoted for 4 yrs. only)	9.77	9.77
United States Treasury Bonds	<u>4 Yr.</u>	<u>5 Yr.</u>
Yield	9.07	8.88
Yield on AA Industrial Bonds Maturing in 1984		<u>6 Yrs.</u> 9.42
90 Day United States Treasury Bills	- - - -	9.25
Current Expected Inflation Rate.		

Mr. Harrell pointed out that Guaranteed Investment Contracts are unsecured debentures and they are only backed with the full faith of the company that issued them. Mr. Harrell called the Committee's attention to the rate of interest being paid by United States Treasury Bonds and compared that to the interest being paid by Guaranteed Investment Contracts and indicated that although some contracts appeared to pay in some instances .70 of 1 percent better interest it is not worth the risk of investing with an insurance company as opposed to investing with the Federal Government.

Mr. Harrell indicated that after reviewing the proposals and seeing the risks involved, he would recommend that Continental invest more money in four year United States Treasury Bonds instead of investing in Guaranteed Investment Contracts which require a five year commitment.

Mr. Leszinske indicated that most bonds held by Continental are high yielding United States Treasury Bonds.

Mr. Harrell also pointed out that most equity type securities are valued at more than twice their 1968 Book Value and one can buy equity type securities under their Book Values. Mr. Harrell indicated that equity type investments are the best buy today due to the fact that based on historical data bonds will not maintain their current high yielding positions and when they drop the price of equity type investments will increase.

Mr. Kole recommended that, in view of Mr. Harrell's report, the Guaranteed Investment Contract matter be dropped at this time and be reviewed in about 6 months. The Committee agreed

with Mr. Kole's recommendation.

Mr. Harrell concluded his presentation at 11:45 A.M.

The Chairman asked for the approval of the Minutes of the 360th Meeting, held November 20, 1978.

Mr. O'Mahony requested that page 6 of the minutes be amended from "Mr. O'Mahony asked for clarification of the reciprocity between governmental units as far as pension credit." to "Mr. O'Mahony requested a legal opinion on Reciprocity of Pension Credits between Governmental Units."

Mr. Hegarty asked why Rule No. 18 was amended. The Secretary responded by indicating that the rule was amended at the recommendation of the Plan Attorney in order to conform with the changes made as a result of the last contract. The effect of the amendment was to make Survivorship Option A($\frac{1}{2}$) the normal form of a pension payment which would not require an employee to furnish evidence of good health when electing Survivorship Option A($\frac{1}{2}$). It also requires that if an individual does not want the Survivorship Option A($\frac{1}{2}$), the individual must execute a form indicating the form of payment the individual desires.

Mr. Hegarty indicated that it was his understanding from Local 308's attorney that employees will not have to retire from the Chicago Transit Authority until age 70. Mr. Burke, the Plan Attorney, indicated that after researching this matter, it was his firm's opinion that the Federal Legislation would effect the Chicago Transit Authority beginning December 1, 1979 due to the fact that the collective bargaining agreement currently expires on November 30, 1979.

Mr. Hegarty asked Mr. Burke to contact Mr. Martin Burns, Local 308's attorney, relative to this matter and report back to the Committee.

Mr. Kole requested that Mr. Burke also look into the matter of making contributions to the Fund after age 65 and report back to the Committee.

On a motion by Mr. Wool, seconded by Mr. Weatherspoon, the Committee unanimously approved the Minutes of the 360th Meeting, held November 20, 1978, with the aforementioned amendment.

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

The Secretary submitted nine (9) Survivorship Options for approval. On a motion by Mr. Wool, seconded by Mr. Weatherspoon, the Survivorship Options, as submitted, were unanimously approved.

The Secretary advised that there were one hundred thirty-two (132) Applications for Retirement submitted for approval.

On a motion by Mr. Weatherspoon, seconded by Mr. Miller, the Committee unanimously approved the one hundred thirty-two (132) Applications for Retirement.

The Secretary reported that during the month, seven (7) employees on Total and Permanent Disability were examined by the Medical Department or their records reviewed.

The Secretary presented forty-seven (47) refunds, totaling \$223,474.43, for approval at this meeting.

On a motion by Mr. Miller, seconded by Mr. Hegarty, the refunds to be paid on December 31, 1978, as per the attached statement, were unanimously approved.

The Secretary presented a report of Deposits, Disbursements and Investments for the month of November.

The Secretary presented the Chicago Transit Authority bills, totaling \$934.70 and other bills, totaling \$138,498.68 for approval.

On a motion by Mr. Wool, seconded by Mr. Miller, the Committee unanimously approved payment of these bills.

The Secretary presented, for payment on December 31, 1978, Death Benefits numbering thirty (30) and amounting to \$76,500.00. On a motion by Mr. Wool, seconded by Mr. Hegarty, the Committee unanimously approved the Death Benefits, as per the attached list.

The Secretary brought up the matter of the Statement of Financial Position and indicated that the Plan Auditor (Arthur Young & Company) is currently reviewing the Statement and preparing a certification to be utilized in the statement.

The Chairman recommended that this statement not be issued for 1977 due to the fact that the 1978 Plan Year is almost to an end.

Mr. O'Mahony recommended that the Committee hold this matter in abeyance until next Committee Meeting. The Committee agreed.

The Secretary reported that Mr. Anderson Hardy, Jr., approved for Total and Permanent Disability, effective September 1, 1978, returned to duty on November 13, 1978.

The Secretary reported that Option Application B($\frac{1}{2}$) for Harry J. Hess, approved on August 21, 1978, was withdrawn. The Secretary reported that Option Application B(ALL) for Frank Jacobs, approved on August 21, 1978, was withdrawn.

The Secretary advised that it would be necessary to elect a new Chairman for the 1979 Plan Year.

On a motion by Mr. Hegarty, seconded by Mr. O'Mahony, Mr. Weatherspoon was elected Chairman for Plan Year 1979.

The Secretary called the Committee's attention to the pass out material noting that three (3) letters were mailed out; one informing retired employees who retired prior to January 1, 1971 that they will receive a \$10.00 per month increase in their retirement allowance benefits, effective December 1, 1978, a second letter advising retired employees of an increase in hospitalization premiums, and a third letter advising retired employees of certain important administrative guidelines.

The Secretary also called the Committee's attention to the Beckers Security Report, dated September 30, 1978, indicating that this will be the final report as a result of the Committee terminating Becker's Services as of December 31, 1978.

The Secretary indicated that the Committee Members will meet at Continental Bank immediately after adjournment for a luncheon meeting with the Putnam Advisory Company, one of the Retirement Fund's investment advisors.

There being no further business, on a motion by Mr. Wool, seconded by Mr. Miller, the Committee unanimously approved adjournment at 12:21 P.M.

W. A. Ashley
SECRETARY
RETIREMENT ALLOWANCE COMMITTEE

John M. Weatherford
CHAIRMAN
RETIREMENT ALLOWANCE COMMITTEE

DATED JAN 19 1979