

Meeting of the Chicago Transit Authority Retiree Health Care Trust

November 22, 2011

Meeting Minutes

A meeting of the Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust ("RHCT") was held on November 22, 2011 at One North Franklin Street, on the 24th Floor. The Chairman and Executive Director were present.

A roll call was taken indicating that the following members were present:

Joseph Pass, Chairman
Joan Coogan
Joseph J. Burke
Christopher Kasmer
Robert Kelly
Paul Sidrys
Paul Volpe

James O'Connell was present as General Counsel for the Trust. Joseph Burns of Jacobs, Burns, Orlove & Hernandez was present on behalf of the Union Trustees. Present on behalf of the Regional Transit Authority appointed Trustee were Andrew Malahowski of Franczek Radelet, PC, and John Doerrer. James Daley of K&L Gates was present on behalf of the CTA Trustees. Also present for portions of the meeting were Ivory Day of Gray & Company; David Dorfman and Ron Lawler of Group Administrators; and Barbara Zaveduk, Mitch Bramstaedt and Alice Delgado of The Segal Company.

On a motion by Mr. Kelly, seconded by Mr. Sidrys, the Board approved the proposed minutes for October 27, 2011.

Administrative Subcommittee

On a motion by Mr. Kasmer, seconded by Mr. Burke, the Board approved the payment of the General Administration Subcommittee bills submitted.

Investment Subcommittee

Mr. Day provided a report. The value of the RHCT assets as of November 18, 2011 was \$587,132,706. Mr. Day pointed out that the Trust's performance for the quarter was negative relative to its benchmark, although on average since inception its performance has been better than its benchmark. Mr. Day advised that he expected the Trust's 50/50 allocation between stocks and bonds should achieve the 7.25% return targeted over the long term.

Old Business

Mr. Lawlor of Group Administrators summarized the process to date of advising participants about open enrollment decisions to be made. So far, about 5500 out of 7800 retirees have responded. The rules for the Aetna Medicare Advantage plan are strict; an application must be signed by January 1 or Medicare will not accept it.

Ms. Delgado summarized other issues that had arisen in implementing changes in coverage. Another Medicare rule which Aetna must enforce, for example, is the requirement that a participant sign up for both Part A and Part B coverage in order to be eligible at all. There is a group of over 100 participants who have never signed up for Part B, and who still may not do so. Under the old approach, a participant would be treated as if they had signed up for Part B and Medicare paid the 80% it typically covered. The Trust would then pay the remaining 20%, along with prescription drugs; that was what the RHCT premium covered. Ms. Delgado suggested that the Trustees continue to provide coverage under similar terms for such people as an interim measure until the end of June 2012, which she referred to as "Option 2." Retirees would then have one more opportunity, a general open enrollment period between January and March, to sign up for Medicare Part B, to start July 1. Such participants would also be required to pay an administrative fee of \$30 per month, and Aetna would administer this interim coverage. If the participant failed to take advantage of this opportunity, he or she would have no coverage from the RHCT beginning July 1, 2012. On motion by Mr. Kasmer, seconded by Mr. Burke, the Board approved the interim coverage suggestion.

Ms. Zaveduk presented a revised assessment of the funding levels of the RHCT, reducing the funded percentage from about 110% to 106.4%. The correction was for the value of the prescription drug program for Medicare eligible participants. Ms. Zaveduk noted that the RHCT is still in compliance with the funding requirements of the governing statute. On motion by Mr. Kelly, seconded by Mr. Burke, the Board accepted the revised assessment of the funding levels of the RHCT.

Mr. Kallianis provided an update on discussions with Legacy to move forward with an audit for the RHCT at the same time as the audit for the Retirement Plan.

On motion by Mr. Kelly, seconded by Mr. Kasmer, the meeting was adjourned.