

Meeting of the Chicago Transit Authority Retiree Health Care Trust
July 26, 2012

Meeting Minutes

A meeting of the Board of Trustees of the Chicago Transit Authority Retiree Health Care Trust (“RHCT”) was held on July 26, 2012 at One North Franklin Street, on the 27th Floor. The Chair and Executive Director were present.

A roll call was taken. The following members were present:

Joan Coogan, Chair
Javier Perez as an alternate for Joseph Pass
Joseph J. Burke
Christopher Kasmer
Robert Kelly
Paul Sidrys
Larry Owens as an alternate for 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 was Andrew Malahowski of Franczek Radelet, PC. David Novak of Schuyler Roche & Crisham was present on behalf of the CTA Trustees. Also present were Ivory Day of Gray & Company, Barb Zaveduk and Ruth Donahue of The Segal Company, and Ms. Nancy Yourell of Aetna.

On a motion by Mr. Kelly, seconded by Mr. Burke, the Board approved the revised proposed minutes for June, 2012.

Administrative Subcommittee

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

Investment Subcommittee

Mr. Day provided a report. He responded to questions concerning the emerging managers goals of the Trust. The value of the assets of the Trust as of July 20, 2012 was \$617,956,631.24. He advised the Trustees that Gray & Company was reviewing the investment policy of the Trust, and might have recommendations for the Trustees to consider when the review is complete.

Old Business

Mr. Kallianis briefed the Trustees on recent developments with respect to the payroll audit, and advised that the Legacy preliminary report was likely to identify some individuals

who had not had contributions made on their behalf to the RHCT. Mr. Kelly moved that all employees of the CTA pay the 3% as required by law to the RHCT. Mr. Perez seconded the motion, and the Trustees approved it.

Ms. Donahue of The Segal Company discussed potential changes that might be considered by the Trustees with respect to plan design and providers, and indicated that Segal would have a formal recommendation in August.

Ms. Donahue advised the Trustees that the RHCT had received a notice that \$2.4 million it had received from the Early Retiree Reinsurance Program would need to be repaid. She explained that, when the program was initiated, there was a lack of clarity as to what claims were reimbursable, and that government clarifications since then had caused the government to issue notice to the RHCT that repayment of \$2.4 million was due by October 2, 2012. Ms. Zaveduk noted that the repayment would reduce the funding level of the RHCT from 107.4% to 107.0%. Ms. Donahue advised that Intech had confirmed that the amount of the reimbursement was correct. She also advised that she believes neither Blue Cross nor Intech acted inappropriately or with malfeasance, and that there are no fines or penalties associated with the amount that must be repaid. On motion by Mr. Kelly, seconded by Mr. Sidrys, the Trustees authorized repayment prior to the deadline.

Mr. Kallianis updated the Trustees regarding the subcommittee formed to consider additional detail concerning the definition of service for the RHCT. He advised that August 13, 2012 had been set for the date of the next subcommittee meeting.

With respect to the Ethics item, Mr. O'Connell noted that would also be seeking input from Trustees as to when and how they would like to proceed for its next meeting.

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