

Meeting of the Retiree Health Care Trust
Board of Trustees
August 25, 2014

Meeting Minutes

A regular meeting of the Board of Trustees of the Retiree Health Care Trust (“RHCT”) was held on August 25, 2014 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, Jr., Secretary
Joseph J. Burke
Christopher Kasmer
Robert Kelly
Paul Sidrys

James O’Connell was present as General Counsel for the Retirement Plan. Appearing on behalf of the ATU-appointed Trustees was Joseph Burns, of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the CTA-appointed Trustees was James Daley of Jackson Lewis LLP. Appearing on behalf of the Regional Transit Authority-appointed Trustee was Daniel Salemi of Franczek Radelet, PC.

Also present were Brian Wrubel, Miguel Zarate and Kweku Obed of Marquette Associates, and Ruth Donahue, Penny Finch and Barbara Zaveduk of The Segal Company.

On motion by Mr. Kelly, seconded by Mr. Kasmer, the Board approved the proposed minutes for the June 26, 2014 meeting. On motion by Mr. Burke, seconded by Mr. Kasmer, the Board approved the proposed minutes for the open session of the July 30, 2014 meeting. On motion by Mr. Kasmer, seconded by Mr. Sidrys, the Board approved the proposed minutes for the executive session on July 30, 2014.

Administrative Subcommittee

On motion by Mr. Kasmer, seconded by Mr. Burke, the Board approved the bills and remittances submitted, as well as the applications for health care benefits.

Investment Subcommittee

Mr. Zarate provided a year-to-date report, and answered Trustee questions. He advised that as of the previous Friday, the RHCT had a market value of \$745,039,167.45.

Old Business

Mr. Kallianis reported that he understood that a meeting between the parties was being scheduled with respect to issues arising out of the Legacy payroll audit, and that he planned to schedule a follow-up meeting for the Legacy subcommittee accordingly.

Ms. Donahue provided a summary of the bids, as most recently updated, for medical and dental service providers.

For the dental service providers, Ms. Donahue noted that MetLife's bid was the lowest for the majority of participants in the pre-Medicare group. She noted that for the over-65 group, MetLife proposed the lowest rates for the lowest option, while Cigna provided the lowest rates for the highest option. She recommended that the Trustees consider staying with MetLife for both dental plans. On motion by Mr. Kelly, seconded by Mr. Burke, the Trustees approved the retention of MetLife for both dental plans.

For the pre-65 PPO bids, Ms. Donahue noted that BlueCross had the highest administrative fees, but also had the greatest discounts, so that on a net basis, the Blue Cross bid would represent only a .5% increase over the 2014 rates over the next three years, and Cigna would be the next lowest, with a 1.9% increase. She also advised that for the prescription drug services, Segal had negotiated a renewal contract with Caremark, the current provider, using the results from the bidding process city agencies had conducted this year, which is anticipated to produce a reduction of about \$230,000 in costs in 2015.

For the pre-65 HMO bids, Ms. Donahue noted that the bids include prescription drugs, and that Blue Cross and United Healthcare submitted bids. She pointed out that United Healthcare did not submit any network disruption or GeoAccess reports, so Segal could not analyze how United would fit with the participants. Blue Cross, the current provider, had submitted a bid with an 18% increase for 2015, primarily based on its experience, since the HMO is a fully-insured program and would include prescription drugs.

After discussion, on motion by Mr. Kelly, seconded by Mr. Perez, the Board voted to accept the proposals from Blue Cross, for the PPO and the HMO products.

For the Medicare Advantage service provider, Ms. Donahue reviewed the results of the bidding process with the Trustees. She advised that total monthly cost per member would be \$246 under the Aetna proposal, \$235 under the Humana proposal, and \$235 for the United Healthcare proposal for 2015. For 2016, she reported that Aetna would be \$269.40, Humana \$245, and United Healthcare \$260. She added that each bidder offered a credit for communications costs, but that the impact of the credits were de minimis. She advised that Segal projected total savings of \$3.8 million for Aetna, \$6.8 million for

Humana, and \$5.5 million for United Healthcare. United guaranteed its rates for 2016, while Aetna and Humana had caveats based on projected decreases in reimbursements from CMS. The Trustees discussed the guarantee provisions, and Ms. Donahue answered their questions. On motion by Mr. Sidrys, seconded by Mr. Burke, the Board voted to approve the Humana bid, assuming Humana would agree that the guaranteed 2016 rates in its proposal would be adjusted, if CMS reduces its reimbursement by more than 2%, based on the dollar shortfall caused by the reduction over 2%, and that it would not charge for reports on utilization and costs.

New Business

Ms. Zaveduk presented the draft valuation for January 1, 2014, discussed the assumption changes in the report, and answered Trustee questions. On motion by Mr. Sidrys, seconded by Mr. Kasmer, the Board accepted Segal's draft valuation.

On motion by Mr. Kasmer, seconded by Mr. Burke, the Board voted to adjourn the meeting.