

Meeting of the Retiree Health Care Trust
Board of Trustees
October 23, 2014

Meeting Minutes

A regular meeting of the Board of Trustees of the Retiree Health Care Trust (“RHCT”) was held on October 23, 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
Troy Brown as an alternate for Javier Perez
Joseph J. Burke
Omar Brown
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 Anita Tanay, 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 Miguel Zarate and Kweku Obed of Marquette Associates, and Ruth Donahue and Barbara Zaveduk of The Segal Company.

On motion by Mr. Omar Brown, seconded by Mr. Kasmer, the Board approved the proposed minutes for the special meeting on August 12, 2014. On motion by Mr. Kelly, seconded by Mr. Kasmer, the Board approved the proposed minutes for August 25, 2014. On motion by Mr. Kelly, seconded by Mr. Kasmer, the Board approved the proposed minutes for the special meeting on September 4, 2014, with the changes noted on the record. On motion by Mr. Kelly, seconded and with the date correction indicated on the record, the Board approved the proposed minutes for September 25, 2014.

Administrative Subcommittee

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

Investment Subcommittee

Mr. Zarate provided a performance report, and answered Trustee questions. He advised that as of October 22, 2014, the RHCT had a market value of \$721,038,296.36.

Mr. Zarate referred the Trustees to a recommendation Marquette had provided that the Trustees consider termination of Hughes Capital. Mr. Zarate provided detail on his concerns about changes in management and ownership, and answered Trustee questions. On motion by Mr. Burke, seconded by Mr. Kasmer, the Trustees voted to terminate Hughes Capital, and issue an RFP for a replacement, the assets being placed in an index fund on an emergency basis in the meantime.

Mr. Zarate referred the Trustees to a memorandum from Marquette on Brown Advisory. He pointed out that Brown Advisory had underperformed their benchmark considerably since they were hired, and had drifted from the large cap product for which they were hired to more of a mid-cap manager. On motion by Mr. Sidrys, seconded by Mr. Burke, the Trustees voted to accept Marquette's recommendation to terminate Brown Advisory and place the funds in an S & P 500 index fund at Northern on an emergency basis until an RFP can be performed.

Mr. Zarate reviewed Marquette's recommendation that the Board terminate Systematic Financial Management. He commented that it had underperformed the benchmark, the Russell Mid Cap Value, and that the index outperforms 70% of active mid-cap managers. On motion by Mr. Burke, seconded by Mr. Kasmer, the Trustees voted to accept Marquette's recommendation and terminate Systematic Financial Management, and place the funds on an emergency basis in a Northern Trust S & P 400 Index Fund, until an RFP can be performed. Mr. Kelly abstained.

Old Business

Ms. Donahue provided an update on steps with respect to open enrollment for 2015.

Mr. O'Connell and Mr. Kallianis provided additional information requested by Trustees concerning the request of Vedder Price for an increase in hourly rates. On motion by Mr. Sidrys, seconded by Mr. Kasmer, the Trustees approved the increase requested in the September 12, 2014 letter from the firm. Mr. Kelly voted no.

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