

CTA Retiree Health Care Trust

55 W. Monroe, Suite 1950
Chicago, IL 60603

August 25, 2016

Meeting Minutes

A regular meeting of the Board of Trustees of the Retiree Health Care Trust (“RHCT”) was held on August 25, 2016 at One North Franklin Street, on the 27th Floor.

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

Joan Coogan (Chair)
Chris Kasmer (Secretary)
Kenneth Franklin
Georgette Hampton
Tommy Sams, Jr.
Paul Sidrys

John Kallianis was present as the Executive Director of the RHCT. Richard Burke of BWM&S was present as General Counsel for the RHCT. David Novak of Jackson Lewis, LLP appeared on behalf of the CTA-appointed Trustees. Justin Lannoye of Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich appeared on behalf of the ATU Local 241-appointed Trustee. Anita Tanay of Jacobs, Burns, Orlove and Hernandez appeared on behalf of the ATU Local 308-appointed Trustee. Daniel Salemi of Franczek Radelet, PC appeared on behalf of the Regional Transit Authority-appointed Trustee.

Also present were Miguel Zarate of Marquette Associates, Ruth Donahue and Barb Zaveduk of Segal and Co..

The minutes of the July 2016 RHCT Board meeting were deferred.

Administrative Committee

Mr. Kasmer presented items 4a and 4b, including benefits and bills for consideration. On motion by Mr. Kasmer, seconded by Mr. Franklin, the Board approved Items 4a and 4b on the General Administration Committee agenda.

On a motion by Ms. Coogan, seconded by Mr. Kasmer, the board approved attendance at the IFEBP annual meeting in November for Mr. Weems, Mr. Franklin, Mr. Sams and Mr. Acevedo.

Investment Committee

Mr. Zarate provided the Trustees with the July, 2016 Flash Report.

Mr. Zarate reported that the market value for the fund as of the prior day's close of business was \$758,379,683.52. He further reported that, for the first seven months of the year, the Trust was up 6.2%.

Mr. Zarate then turned the Board's attention to the comparison table in the presentation that showed actual allocation versus the target. He indicated that Matarin, State Street and William Blair were recently funded or would be funded soon and that would get us even closer to the target allocations.

Consideration of the Revised Investment Policy and the accompanying memo from Marquette was deferred until the September meeting until Mr. Burke had returned.

Old Business

Mr. Kallianis provided a brief update on the progress of the Payroll Review Committee progress and referred to the written update that was prepared by Mr. McKone on behalf of the Committee. He indicated that a follow up meeting would be held on September 20, 2016.

Barb Zaveduk from Segal then presented the January 1, 2016 valuation and informed the Trustees that the Trust had a funded status of 105.3% at January 1, 2016. This calculation is required by State law and is done by taking the present value of assets and dividing it by a present value of liabilities and that, in total, the assets have a present value of approximately \$854M and the liabilities have a present value of approximately \$811M.

She reminded the Trustees that the valuation reviews experience through 2015 and has assumptions about future experience. She also reminded the Trustees that this valuation model was different than the valuation model for the Retirement Plan.

Ms. Zaveduk reported that the single, biggest impact on the reduction of the funded status from 108.7% in 2015 to 105.3% in 2016 was the investment return lower than the expected 7% in 2015.

Ms. Zaveduk also reported on the "45% Test" that is also required by statute. She indicated that, taking into account the contributions made in 2015, divided by the cost in providing benefits in 2014, resulted in 31% of the cost paid by retirees – well below the 45% allowed by statute.

Mr. Franklin asked Ms. Zaveduk to estimate the impact on the RHCT of the CTA hiring 5, 10 and 15 percent more employees in the future. Ms. Zaveduk explained that she could run the scenarios, but that they wouldn't change the valuation report that she had just reviewed for the Board. Mr. Franklin asked that she run the scenarios and made a motion to defer the acceptance of the valuation report until the next meeting. After some discussion on the topic, Mr. Kasmer seconded the motion and the Board deferred consideration of the report.

Ms. Donahue then spoke to the Board about significant dates in the near future, including the meeting on August 31st to discuss the premium rates for 2017 and the open enrollment meetings in early November.

Ms. Donahue also described the renewal process for the providers and generally, where the 2017 renewals came in from the providers. She further indicated that this information would be available to the Trustees at the next meeting.

New Business

There was no business to consider under New Business.

Executive Session

On a motion by Mr. Franklin, seconded by Mr. Sams, the Board voted to adjourn the meeting.