

CTA Retiree Health Care Trust

55 W. Monroe, Suite 1950
Chicago, IL 60603

September 22, 2016

Meeting Minutes

A regular meeting of the Board of Trustees of the Retiree Health Care Trust (“RHCT”) was held on September 22, 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)
Joseph Burke
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. James Daley 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. Joe Burns (for a portion of the meeting) and Anita Tanay (for a portion of the meeting) 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 Nicole Llorens of Segal and Co, and Kenneth Yu and Krunal Shah of Mitchell Titus.

On a motion by Mr. Kasmer, seconded by Ms. Hampton, the minutes of the July, 2016 Board meeting were approved. Mr. Burke and Mr. Sidrys abstained.

On a motion by Mr. Kasmer, seconded by Mr. Franklin, the minutes of the August, 2016 Board meeting were approved. Mr. Burke abstained.

Administrative Committee

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

New Business

Mr. Kenneth Yu and Mr. Krunal Shah from Mitchell Titus then discussed the audit of 2015 financial statements for the Trust. Mr. Yu indicated Mitchell Titus was issuing a clean opinion with the audit. Mr. Yu explained Mitchell Titus did not have any significant exceptions or concerns about the financial statements. He also explained they had the full cooperation of the management of the Plan and received information related to the audit on a timely basis.

Mr. Shah then explained that, during the audit, they do some sample-based testing on individual files and plan level testing on claims for Caremark and Blue Cross Blue Shield. He also said they look at the actuarial information to ensure the assumptions are reasonable and in accordance with recent industry accounting guidance and they felt the assumptions were reasonable and they were included in the financial statements.

On a motion by Mr. Kasmer, seconded by Mr. Burke, the Board accepted the audit report on the financial statements of the Trust for 2015.

Executive Session

On a motion by Mr. Kasmer seconded by Mr. Sidrys, the Board unanimously voted to move into Executive Session to discuss the appointment of legal counsel related to litigation.

Upon returning from Executive Session, on a motion by Mr. Kasmer, seconded by Mr. Burke, the Board retained Alex Vesselinovitch of the firm Freeborn & Peters LLP to handle litigation on behalf of the Trust and the Trustees.

Investment Committee

Mr. Zarate provided the Trustees with the 2nd Quarter Report for 2016. He reported the Trust had a net return of 3.9% through June 30th. He also reviewed some of the managers and their over-performance and under-performance within the 2nd Quarter report.

Mr. Zarate reported the market value for the Fund as of the prior day's close of business was \$753,782,108.86, which meant the Fund's return was pretty much flat for the month of August.

There was a brief discussion about the proposed Revised Investment Policy and the accompanying memo from Marquette. This information had been circulated at prior meetings and had been deferred to allow the Trustees additional time for review. On a

motion by Mr. Burke, seconded by Mr. Kasmer, the Board adopted the updated Investment Policy.

Old Business

Mr. Kallianis had circulated the summary of the recent payroll review committee meeting and reported the next meeting would be held on October 14, 2016. The committee would talk about the completion of the agreed-upon forms and the follow-on audit from July, 2011 through December, 2015.

Ruth Donahue and Nicole Llorens from Segal reviewed the January 1, 2016 actuarial valuation in case anyone had questions from the full presentation at the August, 2016 Board meeting.

Ms. Llorens reminded the Trustees the Trust had an assumed rate of return of 7%. Ms. Donahue indicated the Trust must be more than 100% funded at each valuation, and if it is not, the Trustees have ten years in which to get Trust's funded ratio back above 100%. Ms. Coogan reminded the Trustees that this valuation was a look back at the funded status as of January 1, 2016. On a motion by Mr. Sidrys, seconded by Mr. Burke, the Board accepted the valuation report.

Ms. Donahue then walked the Board through the changes to provider costs from 2016 to 2017. She indicated the deductibles, copays and out of pocket costs were indexed to a medical CPI and would increase by 2% for 2017. Ms. Donahue explained the renewals for Humana's Medicare Advantage PPO and HMO had been flat or a decrease for 2017; Blue Cross Blue Shield's HMO increased by approximately 1.6% and the PPO ASO fees would increase by 4% in 2017.

Ms. Donahue and Ms. Llorens then walked the Board through several potential scenarios for 2017 single and family premiums for the Non-Medicare and Medicare plans and what effect those scenarios might have on the funded ratio of the Trust for the January 1, 2017 valuation.

After lengthy discussion about the various premium scenarios for 2017, Mr. Franklin made a motion to adopt "Scenario F" which would keep all retiree premiums at the same level as 2016. The motion was seconded by Mr. Sams. There was additional discussion about this scenario. On a roll-call vote, the motion did not pass. The vote was as follows: Coogan-no, Kasmer-no, Burke-no, Franklin-yes, Hampton-no, Sams-yes, Sidrys-no.

Mr. Kasmer made a motion to adopt "Scenario I" which would keep Medicare premiums at the same level as 2016 and included increases to the pre-Medicare plans. The motion was seconded by Ms. Hampton. There was additional discussion about this scenario. On a roll-call vote, the motion passed. The vote was as follows: Coogan-yes, Kasmer-yes, Burke-yes, Franklin-no, Hampton-yes, Sams-no, Sidrys-yes.

Ms. Donahue then updated the Board on some of the significant upcoming dates, including the open enrollment mailing and the date of the open enrollment meeting – November 3rd.

Mr. Kallianis then let the Board know he would circulate the Legal Services RFP evaluation form and would incorporate edits from the Trustees. Once that was done, he would send it around for use by the Trustees for evaluation.

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