

MINUTES OF THE BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
1 North Franklin Street, 27th Floor, Chicago, Illinois

Approved
February 23, 2017

TRUSTEES PRESENT

Christopher Kasmer	Chairman
Paul Sidrys	Secretary
Kenneth Franklin	
Georgette Hampton	
Carlos Acevedo	
Sherri Thornton-Pierce	
William Lachman	Alternate for Joseph J. Burke

ALSO PRESENT

John Kallianis	Executive Director
Miguel Zarate	Marquette Associates
Ruth Donahue	Segal Consulting
Barbara Zaveduk	Segal Consulting
David Novak	Jackson Lewis on behalf of CTA appointed Trustees
Justin Lannoye	Dowd, Bloch, Bennett, Cervone, Auerbach & Yogich on behalf of the ATU Local 241 appointed Trustee
Joseph Burns	Jacobs, Burns, Orlove & Hernandez on behalf of the ATU Local 308 appointed Trustee
Daniel Salemi	Franczek Radelet on behalf of the RTA appointed Trustee
Stephen Rosenblat	Baum Sigman Auerbach & Neuman, Ltd.
_____	Court Reporter, _____

CALL TO ORDER

The meeting was called to order by the Chairman at 10:15 a.m.

ROLL CALL

The Chairman ruled that a quorum was present.

APPROVAL OF MINUTES

A draft of the Minutes of the January 24, 2017 meeting had previously been distributed to the Trustees. Upon motion made by Mr. Franklin and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Minutes of the January 24, 2017 meeting.

GENERAL ADMINISTRATIVE COMMITTEE ISSUES

Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve applications for benefits.

BILLS AND REMITTANCES

Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve bills and remittances.

It was noted that there were no educational conferences presented for preapproval.

INVESTMENT COMMITTEE ISSUES

Mr. Zarate of Marquette Associates, referred to the ARetiree Healthcare Trust Executive Summary, February 23, 2017." Mr. Zarate referred the Trustees to page 3 of his report which compared the current asset allocations to the policy targets. He noted that the Fund is underweight to fixed income and overweight to U.S. equities. As of January 31, 2017, the ending market value of the Fund was \$763,271,304. As of February 22, 2017, the market value of the Fund's assets was \$776,404,216.56. A summary of cash flows was then reviewed.

The return summary for January 2017 was reviewed. The Plan outperformed the benchmark on a one-month, three-month and fiscal year-to-date basis. U.S. equities composite detracted from the benchmark. U.S. fixed income, non-U.S. fixed income and non-U.S. equity composites added value to the Plan. Year-to-date, the Plan has returned 1.5% compared to the policy benchmark of 1.3%. Special attention was given to the PNC Capital Large Cap Value manager and the Great Lakes Large Cap Value manager. For the one-year period, PNC Capital Large Cap Value returned 12.6% compared to the Russell 1000 Value Index which returned 24.6%. Year-to-date, PNC Capital Large Cap Value returned 0.4% compared to the Russell 1000 Value Index which returned 0.7%.

The Lazard International Equity Fund was also given special attention. It returned 7.9% for the one-year period compared to the MSCI ASWI ex-USA Index which returned 16.1% for the same period. Underperformance was attributed to low exposure to commodity related stocks, exposure to certain emerging markets, such as South Africa and Turkey, low bank exposure and poor sector specific stock selection. The non-U.S. fixed income composite returned 2.1% year-to-date with the Wells Fargo International Bond Fund and the Prudential Emerging Markets Debt Fund. The 2.1% return represents continued strong performance from global bonds.

The Investment Committee action was then reviewed. The Committee discussed the merits of having two large cap value managers, Great Lakes and PNC. The Committee unanimously recommended terminating PNC for underperformance. The small cap growth allocation was also reviewed. The Committee reviewed the sub-advisor for Amalgatrust. The small cap growth allocation will continue to be discussed at future Investment Committee meetings. Amalgatrust has had poor performance. The Committee recommended that Mr. Zarate conduct further due

diligence. Mr. Zarate directed the attention of the Trustees to page 28 of the presentation book which was a memorandum which summarized the action taken at the February 16, 2017 Investment Committee meeting. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To terminate PNC and to transfer the allocation to the Northern Trust S&P 500 Index Fund.

REPORT ON JOINT PAYROLL COMMITTEE

The summary of the Joint Payroll Committee actions are in the meeting materials. Counsels are updating the memorandum, as necessary. Mr. Kallianis reported that the 2011 to 2016 engagement letters from Legacy are in progress. There is a March 21, 2017 Joint Payroll Committee meeting scheduled. Mr. Sidrys wants time to review any Committee decisions.

REPORT OF SEGAL CONSULTING

Ms. Donahue reviewed a document entitled “Key Dates for the Chicago Transit Authority Retiree Health Care Trust – 2017” which was distributed to the Trustees. She noted changes since the last report and that there is a March 14, 2017 GA Committee on the HRA proposal.

Ms. Donahue noted that tentatively on May 3 or May 4 there will be the annual Humana meeting. She reviewed the contract expiration dates for BCBS PPO and HMO, Humana MAPD, MetLife Dental, Caremark Rx, Group Administrators and ACA Track. Ms. Hampton questioned whether there was an extension on filing 1095’s with the IRS. Ms. Donahue said there was an extension on 1095-R’s.

A strategic review report from Segal Consulting was distributed and reviewed.

Caremark is the prescription drug provider. Questions were raised about the difference between the retiree plan and what current CTA employees get for prescription drug benefits. A question was raised whether a difference in active and retiree plans causes any incentive to move to the RHCT. Actives receive prescription drug benefits through CVS/Caremark and the CTA has an option on that contract through 2018. Medicare Advantage was then reviewed. Medicare Advantage plans replace Medicare Parts A and B. One-third of Medicare enrollees are in Medicare Advantage plans. The Aetna and Humana merger has been stopped by the Department of Justice.

The dental options were then reviewed. Dental benefits are offered through MetLife. That plan is totally paid for participants. Ms. Donahue continued her report on contracts that needed to be extended or bid out. The current Humana contract for Medicare retirees has a rate guarantee through 2018. It was recommended to extend the Humana contract. If the Trustees want to go out to bid this year, there is a 30-day termination clause in the contract. She said she was not aware of any serious issues regarding performance. Regarding Blue Cross Blue Shield and Caremark, Ms. Donahue recommended bidding all medical providers out at the same time. It was reiterated that on the dental benefit no Fund assets are spent. The Fund is in its fifth year with the MetLife contract. There have been some service issues. The provider is not very flexible, although there are no issues at the moment. It was noted that some believe that the network is smaller than others.

The Trustees then reviewed the Timeline Draft in the report. Mr. Sidrys asked for criteria for decisions on vendor renewals or RFPs and a further report on contracts with those vendors. Disruptions affecting members with any vendor changes were also discussed. Discussion at the March 14 GA Committee meeting could include vendor issues.

NEW BUSINESS

There was no new business to come before the Board.

EXECUTIVE SESSION

No Executive Session was required.

ADJOURNMENT

Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adjourn the meeting at 10:50 a.m.

SECRETARY