

MINUTES OF THE BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 W. Adams Street, 17th Floor, Chicago, Illinois
May 25, 2017

TRUSTEES PRESENT

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| Christopher Kasmer | Chairman |
| Paul Sidrys | Secretary |
| Joseph J. Burke | |
| Kenneth Franklin | |
| Keith Hill (Marqueal Williams) | |
| Thomas McKone | |
| Sherri Thornton-Pierce (Mike Bowen) | |

ALSO PRESENT

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| John Kallianis | Executive Director |
| Joseph Burns | On behalf of ATU Local 308 appointed Trustee, Jacobs, Burns, Orlove & Hernandez |
| James P. Daley | On behalf of CTA appointed Trustees, Jackson Lewis, LLP |
| Daniel R. Salemi | On behalf of RTA appointed Trustee, Franczek Radelet |
| Justin J. Lannoye | On behalf of ATU Local 241 appointed Trustee, Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich |
| Miguel Zarate | Investment Consultant, Marquette Associates |
| Ruth Donahue | Benefits Consultant, Segal Consulting |
| Barbara Zaveduk | Benefits Consultant, Segal Consulting |
| Stephen Rosenblat | Counsel, Baum Sigman Auerbach & Neuman, Ltd. |

CALL TO ORDER

The meeting was called to order at 11:45 a.m., whereupon roll call was taken and a quorum was declared present.

APPROVAL OF MINUTES

The Chairman noted that the Minutes of the April 27, 2017 Board of Trustees meeting were previously distributed to the Trustees. Discussion ensued regarding whether the Minutes accurately reflect votes on two Resolutions. The Minutes reflect that two motions were passed unanimously. Mr. Burns requested that the word “unanimously” be stricken because he did not

believe that Mr. Hill voted in favor of those Resolutions. However, Mr. Hill is not present at the May 25, 2017 meeting. Discussion ensued. Mr. Lannoye said that he would contact Mr. Hill regarding his vote. The Chairman asked if approval of the Minutes could be deferred. Fund counsel advised that approval could be deferred. No further action was taken.

GENERAL ADMINISTRATION COMMITTEE ISSUES

A motion was made and seconded to approve items 4a, 4b and 4c on the agenda regarding application for benefits, bills and remittances and educational conference pre-approvals, respectively. Discussion ensued. Mr. McKone asked whether the audit fee reported in the meeting materials was a fee for the entire year or a monthly amount. Mr. Kallianis advised the Trustees that it was an annual, not monthly, amount. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve items 4a, 4b and 4c regarding application for benefits, bills and remittances and educational conference pre-approvals.

REPORT OF INVESTMENT CONSULTANT

The attention of the Trustees was directed to Mr. Zarate. Mr. Zarate referred the Trustees to the Retiree Health Care Trust Executive Summary, dated May 25, 2017, prepared by Marquette Associates. A copy of that report is attached and made part of these Minutes. As of April 30, 2017, total assets in the Plan were \$791,107,953. The Fund was slightly underweight to fixed income in relation to its asset allocation target. The Fund has returned 5.4% for the year through April 30, 2017 compared to 4.8% for the policy benchmark. Discussion ensued. Mr. Zarate was then thanked for his presentation.

REPORT OF PAYROLL REVIEW COMMITTEE

Mr. Kallianis reported on his efforts to schedule a meeting for Locals 241 and 308 and the CTA to address contribution reporting procedures for part-time union officers. Discussion ensued regarding unpaid employee contributions related to settlement agreements for the period of July 1, 2008 through June 30, 2011. In response to a question, Mr. Rosenblat reported that a meeting has been scheduled with attorneys for Iron Workers' Local 1 and Mr. Daley, representing CTA, to address the issue of iron worker contributions to the Fund.

Mr. Franklin made the following motion:

I move that the interest rate on any amount owed by an employer to the Fund, including any required contributions that an employer fails to deduct and remit, shall be calculated and assessed at the assumed investment rate of return as determined by the Fund's actuary and accepted by the Board of Trustees in effect on the due date of the contributions or on the date any other amount becomes due. There shall be a grace period of seven calendar days from the due date only if the contributions are received within the seven calendar period.

Interest on delinquencies owed after the grace period shall accrue effective with the due dates, shall be prorated for a partial month, and shall be compounded monthly until the date of payment.

Mr. Williams seconded the motion. Discussion ensued. It was pointed out that the Retiree Health Care Trust had never established an interest rate on delinquent contributions, although the Pension Fund had. Discussion ensued regarding the practice of when contributions to the Health Care Trust are received by the Trust. Discussion ensued regarding when contributions are withheld from employees' pay and transferred to the Trust. Mr. Franklin moved to amend his motion:

There should be a grace period of seven calendar days from the due date on if the contributions are received within the seven calendar day period. Interest on the delinquency owed after the grace period shall be accrued effective with the due dates, shall be prorated for a partial month, and shall be compounded monthly until the date of payment. I'll strike that section in my motion.

Mr. Williams seconded the amendment. The Chairman announced there is a motion made and seconded to adopt an interest rate that is the assumed actuarial rate of return. Mr. Franklin reread the motion stating:

I move that the interest rate on any amount owed by an employer to the Fund, including and require contributions that an employer failed to deduct and remit, shall be calculated and assessed at the assumed investment rate of return as determined by the Fund's actuary and accepted by the Board of Trustees in effect on the due dates of the contributions or on the date any other amount becomes due.

Whereupon Mr. Kallianis asked for the Trustees' votes: Mr. Kasmer, yes; Mr. Sidrys, no; Mr. Burke, no; Mr. Franklin, yes; Mr. Williams, yes; Mr. McKone, no; Mr. Bowen, no. Mr. Kallianis reported that the motion does not carry with three yes votes and four no votes.

Whereupon a motion was made and seconded to direct that the GA Committee create a collection policy that addresses collection and delinquencies procedures. The question was called, the Resolution was unanimously passed.

Mr. Franklin then moved that:

The Retiree Health Care Trust retain Kopecky, Schumacher and Rosenberg to make a demand on the CTA for payment of the Legacy payroll audit findings on behalf of the RHCT for the audit period January the 1st, 2008 through June the 30th, 2011, less the amount of the payroll audit findings related to the CTA Board members, plus interest to be established by the Board. The demand and any lawsuits shall seek all sums owed for the audit period. Specifically, non-deducted employee contributions of 3% relating to the wrongful excluded employees as a result of settlements and arbitrations providing for backpay. As a result of clerical errors, for employees on extended medical leave, part-time Union officers, and for any other category for which the CTA did not remit 3% in compensation. If the CTA does not make payment in full within thirty days of the date of the demand, the Board of Trustees authorizes Kopecky, Schumacher and Rosenberg to file a lawsuit under the Illinois Wage Payment and Collection Act and the terms of the Trust Agreement and any other binding agreements to collect the delinquent contributions, plus interest, fees and costs.

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Mr. Williams seconded the motion. Mr. McKone reported that yesterday he received a letter which was a request for the funds that were identified in the payroll audit. Discussion ensued regarding the demand letter sent by Mr. Kallianis to Mr. McKone. It was noted that the demand previously authorized by the Board did not include contributions for iron workers. However, the motion directed contributions be demanded for iron workers. Discussion ensued regarding the terms of an agreement that the Board could accept regarding iron worker participation in the Plan. Discussion ensued regarding whether Fund counsel could represent the Fund in a potential collection action. The question was called. Mr. Kallianis called for the votes of each Trustee: Mr. Kasmer, yes; Mr. Sidrys, no; Mr. Burke, no; Mr. Franklin, yes; Mr. Williams, yes; Mr. McKone, no; Mr. Bowen, no. Mr. Kallianis reported that the motion does not pass with three yes votes and four no votes.

The Trustees then moved on to item G that referred to the letter that Mr. Kallianis sent to Mr. McKone yesterday.

A motion was made and seconded to accept Legacy's proposal to perform a payroll review audit for the period of July 1, 2011 through December 31, 2016. It was noted that this engagement letter includes Legacy's use of the accounting firm of Prado and Renteria. The question was called. The motion passed unanimously.

NEW BUSINESS

Items 7a, 7b, 7c and 7d were referred to the GA Committee.

SEGAL UPDATE ON 2017 SIGNIFICANT DATES

The attention of the Trustees was directed to Ms. Donahue. She referred to a handout in the meeting materials entitled, "Key Dates for Chicago Transit Authority Retiree Health Care Trust

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– 2017.” She reviewed the dates with the Trustees. She noted that there would be a meeting with Humana representatives on June 7, 2017 beginning at 10:00 a.m. to review the prior year experience. She then pointed out that there would be a General Administration meeting on June 13, 2017 to continue addressing issues related to the HRA. Mr. Kallianis reported that there were pre-retirement seminars scheduled for June to assist participants in their retirement planning.

Discussion ensued regarding eligibility for participation at age 65 with ten years of service or age 55 with ten years of service. A motion was made and seconded to change the eligibility requirement to age 55 and ten years of service. It was reported that the cost difference between those two rules is minimal. It was noted that Segal has been costing out different eligibility requirements. Discussion ensued regarding what options the GA Committee adopted at a prior Committee meeting. Discussion ensued regarding eligibility versus premiums. Discussion ensued regarding whether eligibility rules should be further modified for the next Plan Year for a minimum of 55 years of age and ten years of service compared to the recently adopted 65 years of age and ten years of service. Upon agreement by Mr. Williams who made the motion and Mr. Franklin who seconded the motion, the pending motion was deferred until a future meeting.

ADJOURNMENT

There being no further business to come before the Board, at 12:46 p.m. the following Resolution was unanimously adopted:

RESOLVED: To adjourn the meeting.

SECRETARY