

MINUTES OF THE MEETING  
BOARD OF TRUSTEES  
CTA RETIREE HEALTH CARE TRUST  
200 West Adams Street, 17<sup>th</sup> Floor, Chicago, Illinois  
August 17, 2017

TRUSTEES PRESENT

Christopher Kasmer                      Chairman  
Joseph J. Burke  
Kenneth Franklin  
Keith Hill (Marquel Williams)  
Thomas McKone  
Paul Sidrys  
Sherri Thornton-Pierce (via telephone)

ALSO PRESENT

John V. Kallianis	Executive Director
Anita Tanay	Jacobs, Burns, Orlove & Hernandez on behalf of the ATU Local 308 appointed Trustee
Justin J. Lannoye	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 appointed Trustee
David M. Novak	Jackson Lewis, LLP on behalf of CTA appointed Trustees
Daniel R. Salemi	Franczek Radelet, PC on behalf of the RTA appointed Trustee
Kweku Obed	Marquette Associates, Investment Consultant
Jesus Jimenez	Marquette Associates, Investment Analyst
Ruth Donahue	Segal Consulting, Benefits Consultant
Barbara Zaveduk	Segal Consulting, Actuarial Consultant
Stephen J. Rosenblat	Baum Sigman Auerbach & Neuman, Ltd., Fund Counsel

CALL TO ORDER

The Chairman called the meeting to order at 10:55 a.m.

ROLL CALL

Roll was taken and a quorum was declared present.

## APPROVAL OF MINUTES OF JULY 27, 2017 BOARD OF TRUSTEES MEETING

Minutes of the July 27, 2017 Board of Trustees Meeting had previously been distributed to the Trustees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Minutes of the July 27, 2017 Meeting.

## GENERAL ADMINISTRATION COMMITTEE ISSUES

The applications for benefits and bills and remittances were reviewed. Discussion ensued regarding the invoice submitted by Freeborn & Peters. It is the consensus of the Trustees that that invoice be deferred for payment pending further review. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve all applications for benefits and bills and remittances presented with the exception of the invoice submitted by Freeborn & Peters.

No educational or conference pre-approvals were submitted for the Trustees' consideration.

## INVESTMENT COMMITTEE ISSUES

Mr. Jimenez presented a report on behalf of Marquette Associates. A report entitled Chicago Transit Authority Retiree Health Care Trust Monthly Update, July 31, 2017 was distributed to the Trustees and is attached and made part of these Minutes. Mr. Jimenez reported that as of yesterday, August 16, 2017, the market value of the Fund was \$812,937,297.71. He then referred the Trustees to page 3 of the report which showed returns as of July 31, 2017. The ending market value as of July 31, 2017 was \$816,088,002. He then reviewed with the Trustees the individual holdings. He noted that the AmaglaTrust Copeland Capital Small Cap Core Fund was funded July 1, 2017. Discussion ensued regarding issues that related to the Pension Fund. Mr. Jimenez was then thanked for his presentation.

## OLD BUSINESS

Mr. Kallianis reported that final discussions are ongoing between the Local 308 attorneys and the CTA on additions to the contribution report forms. He then reported on the request from Legacy for data to conduct the payroll compliance audit.

## NEW BUSINESS

Ms. Donahue of Segal Consulting addressed the Trustees. She first raised with them the issue of extending the contract with Group Administrators to include administration services for the HRA. She said that the proposal is consistent with services and fees for other Segal Consulting clients that they reviewed. Group Administrator's HRA fee would include a \$10,000 set-up fee for implementation of the website and participant tracking systems; \$0.30 per member per month to track and provide customer service for participants who separate from the CTA and are not enrolled in the Health Plan; \$1.42 per member per month for participants who enroll in the HRA for a debit card which is a fee charged by the bank and would be a 100% pass-through for Group Administrators and \$1 per mailing plus postage for communications as directed by the Trustees. Ms. Donahue reported that the average per-member, per-month fee for HRAs including a debit card, is between \$3 and \$5. It is estimated that approximately 4,000 employees will have accounts which will require tracking and communications. Discussion ensued regarding charges for administration which would be passed on to participants. It was the consensus of those attending prior General Administration Committee meetings that a \$25 annual fee, assessed on the last business day of each year, would be made for anyone who separated from employment with the CTA and was over 65 years of age. It was noted that approximately 800 employees separated

annually. Discussion ensued. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To approve the Group Administrators' contract extension. Mr. Franklin abstained.

Key dates were then reviewed. On September 12, 2017, a special board meeting has been scheduled for consideration of future contribution rates. The meeting will start at 9:00 a.m. at Segal Consulting's offices. The General Administration Committee will then meet on HRA issues. The next regularly scheduled meeting of the Board will be on September 28, 2017. Discussion ensued regarding participant education meetings.

A memorandum from Segal Consulting dated August 17, 2017 regarding the Humana renewal was distributed to the Trustees and reviewed by Ms. Donahue. Segal successfully negotiated the Humana increase down from 12.4% to 9% for the HMO. Ms. Donahue noted that the federal reinsurance fee for insured plans was assessed against the Fund and included in the Humana fee proposal.

Ms. Donahue directed the attention of the Trustees to a Blue Cross Blue Shield renewal proposal. There are approximately 1,500 participants under Medicare age who participate through either the Blue Cross Blue Shield ASO or PPO. The negotiated HMO increase is 1.5%. The negotiated ASO increase is 3%.

Ms. Donahue reviewed the MetLife dental renewal which is not a benefit paid by the Plan. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve renewal of the MetLife Dental Program.

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

RESOLVED: To approve the renewal of the Blue Cross Blue Shield HMO and PPO programs. Mr. Williams and Mr. Franklin abstained.

Discussion ensued regarding RFPs for the benefits provided through the Humana program.

It was noted that a court reporter was requested for the September 12, 2017 meeting.

The attention of the Trustees was then directed to Ms. Zaveduk to review with the Trustees the actuarial valuation as of January 1, 2017. A copy of the draft of that report is attached and made a part of these Minutes. Ms. Zaveduk reminded the Trustees that there is a statutory requirement that this report be made. This report measures the value of all earned and projected benefits against all of the assets plus future income. Right now, the Fund is at 104% funded. The statutory requirement is 100% funded. Ms. Zaveduk reviewed the liability for past and current employees and the anticipated premiums they will pay for coverage. There are \$894 million in projected income and useable assets compared to \$858 in projected benefits. There is a cushion of \$35.8 million or 4.2%.

There is a 7% assumed rate of return on all assets. Returns have generally been trending down. Ms. Zaveduk then reviewed other assumptions, including that Medicare Advantage costs increase by 10% and that HMO and PPO rates increase 7.75% in the coming year. Retirees cannot pay more than 45% of the prior year's claims. This is measured for this report by looking at benefits paid in 2015 and retiree premiums received in 2016. So for this report, retiree participants were 34% of the prior year's claims.

Ms. Zaveduk was thanked for her report.

## EXECUTIVE SESSION

Mr. Franklin moved that the Trustees go into executive session. Mr. Burke seconded the motion. At 12:02 p.m., the following Resolution was unanimously adopted:

RESOLVED: That the Trustees go into executive session.

## ADJOURNMENT

The Trustees came out of executive session at 12:06 p.m. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adjourn the meeting.

The meeting was adjourned at 12:07 p.m.

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SECRETARY