

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
August 23, 2018

TRUSTEES PRESENT

Thomas McKone	Chairman
Christopher Kasmer	Secretary
Joseph J. Burke	
Kenneth Franklin	
Keith Hill	
Michael Bowen	Alternate for Paul Sidrys
Georgette Hampton	Alternate for Sherri Thornton-Pierce

ALSO PRESENT

John Kallianis	Executive Director
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Ronald Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich on behalf of the ATU Local 241 appointed Trustee
Daniel Salemi	Morgan Lewis & Bockius on behalf of the RTA appointed Trustee
James P. Daley	Jackson Lewis, PC on behalf of CTA appointed Trustees
Anita Tanay	On behalf of the ATU Local 308 appointed Trustee
Miguel Zarate	Investment Consultant, Marquette Associates
Dan Levin	Benefits Consultant, Segal Consulting
Barbara Zaveduk	Benefits Consultant, Segal Consulting
Dorothy Stawiarski	Benefits Consultant, Segal Consulting

CALL TO ORDER

The meeting was called to order at 12:35 p.m.

ROLL CALL

Mr. Kallianis took roll and a quorum was declared present.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the June 28, 2018 Board of Trustees Meeting had previously been distributed to the Trustees. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To approve the Minutes of the June 28, 2018 Board of Trustees meeting.

Mr. Bowen abstained.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Mr. Kasmer noted that the applications for benefits and bills and remittances were previously distributed to the Trustees. In addition, the request was made for reimbursement of expenses related to attending the International Foundation for Employee Benefits Annual Meeting by Mr. McKone. The request is for one-half of his expenses to be reimbursed by the Retiree Health Care Trust. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve all applications for benefits, payment of bills and remittances and approval for one-half of the cost for Mr. McKone to attend the International Foundation for Employee Benefits Annual Conference.

Discussion then ensued regarding the General Administration Committee meeting schedule for September 17 at which time retiree premium rates for 2019 will be addressed.

REPORT OF INVESTMENT CONSULTANT

Mr. Zarate first directed the attention of the Trustees to the Marquette Report through June 30, 2018. A copy of that document is attached and made part of these Minutes. Mr. Zarate said that equity has driven investment returns. As of June 30, 2018, the Fund's assets were \$852,533,600. Year-to-date as of June 30, 2018, the Fund returned 0.5%. Total equity returns were 1.9% and the U.S. equity composite return was 3.3%. Particular attention was put on the

U.S. fixed income composite which returned -1.6%. The non-U.S. fixed income composite returned -5.1% with the Wells Fargo International Bond Fund returning -3.8% and the Prudential Emerging Markets Debt Fund returning -6.3%. The Wells Fargo Fund is a broadly diversified emerging market fund. It underperformed because of its heavy emerging market exposure as an international bond fund. Mr. Zarate suggested having the Investment Committee address some fixed income issues when they next meet. He reviewed other managers, including the Eagle Mid-Cap Growth Fund which returned 7.9% year-to-date through June 30 compared to the Russell Mid-Cap Growth Index which returned 5.4%. He also pointed out that Kayne Anderson, a small cap value manager, underperformed for the first two quarters of 2018, returning -0.9% compared to the Russell 2000 Value Index which returned 5.4%. Kayne Anderson is a very concentrated portfolio.

Mr. Zarate then directed the attention of the Trustees to Tab 2 of his report which covers the period through July 31, 2018. Year-to-date through July 31, 2018, the Fund has returned 2%. As of August 22, 2018, the value of the Fund's assets was \$871,857,329.07. Both the Wells Fargo International Bond Fund and the Prudential Emerging Markets Debt Fund performed better than their benchmarks for July 2018.

Discussion ensued regarding Piedmont which was recently selected by the Fund as a manager. Piedmont has asked for the Fund's consent to its acquisition by FIS. FIS is also a minority owned firm. Formal approval of the consent will be presented at the next Board meeting. Mr. Zarate does not anticipate that this structural change will have any impact of investment strategy or returns. Mr. Zarate will present a memorandum regarding this transition to the Board. Mr. Zarate was thanked for his report.

OLD BUSINESS

Items 6a and 6b were referred to executive session for later in the meeting. Mr. Kallianis reported on 6c which addressed the payroll compliance audit for 2011 through 2017. He said he believed that substantially all of the payroll data from the two Locals, the CTA and the Fund office has been transferred to Legacy and expects the auditing of these records to begin soon.

NEW BUSINESS

Receipt of the litigation report was noted.

Segal Consulting had several matters on which to report. First, Ms. Stawiarski reported on key dates. There will be a G.A. Committee meeting on September 17, 2018.

The attention of the Trustees was then directed to Ms. Zaveduk to present the annual actuarial valuation as of January 1, 2018. A copy of that report is attached and made part of these Minutes. Ms. Zaveduk reminded the Trustees that the report demonstrates that the funding requirements of the Pension Code are met and it is included in the annual financial statement. Ms. Zaveduk reviewed the report with the Trustees. The present value of benefits for current retirees is \$521 million. \$193 million is projected in premiums to be paid by current retirees. The net of that is \$327 million. For actives and inactive vesteds, the present value of benefits is \$754 million. \$298 million is anticipated in premiums from that group for a net value of \$455 million for them. In addition, there is \$58 million in HRA benefits. Those together total \$841 million in liability. The total of income and assets is \$999 million, so Ms. Zaveduk reported the Plan is 118.18% funded. Consequently, the Plan complies with the statutory funding requirements. Last year the Plan was 104% funded. Positive investment returns and favorable claim experience accounted for much of the improved funded status.

\$34.6 million is required by statute for reserves, which must cover 12 months of expected claims, plus incurred but unreported claims. Under Illinois statute, premiums cannot be more than 45% of the cost of the prior year's benefits. Premiums were 33.79% of the cost of last year's benefits. This report can be approved as final at the September Board meeting and then submitted to the Illinois Auditor General, as required. The Segal consultants were thanked for their reports.

Item 7(b) on the agenda was then addressed by the Board, which was the budget update as of June 30, 2018. A copy of the budget is attached and made part of these Minutes. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That the proposed 2018 budget be adopted as presented.

The Trustees then considered the proposal of BDO to provide cyber security services. A copy of the BDO presentation materials is attached and made part of these Minutes. Discussion ensued. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To retain BDO to provide cyber security services.

Ms. Hampton abstained.

EXECUTIVE SESSION

Mr. Kasmer moved that the Trustees enter an executive session. Mr. Bowen seconded the motion. The Chairman called the question and the motion to enter executive session unanimously passed at 1:15 p.m. The room was secured.

At 2:12 p.m. the Trustees came out of executive session whereupon the following motion was made, seconded any unanimously adopted:

RESOLVED: That the pending matters in South Carolina involving efforts to recover losses as a result of the Wakpamni bond fraud be transferred to South Dakota; and

FURTHER RESOLVED: That counsel be engaged in South Dakota to assist in that transferred litigation.

ADJOURNMENT

There being no further business to come before the Board, upon motion made and seconded the following Resolution was unanimously adopted:

RESOLVED: That the meeting be adjourned.

The meeting was adjourned at 2:15 p.m.

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