

MINUTES OF THE MEETING  
BOARD OF TRUSTEES  
CTA RETIREE HEALTH CARE TRUST  
200 West Adams Street, 17<sup>th</sup> Floor, Chicago, Illinois  
August 29, 2019

TRUSTEES PRESENT

Keith Hill	Chairman
Thomas McKone	Secretary
Kenneth Franklin	
Christopher Kasmer	
April Morgan	
Paul Sidrys	
Joseph J. Burke	

ALSO PRESENT

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

CALL TO ORDER

A quorum being present, the meeting was called to order at 11:47 a.m.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the June 27, 2019 Meeting and the June 27, 2019 Joint Meeting with the CTA Pension Plan Board of Trustees were previously distributed to the Trustees. Consequently, the reading of the Minutes was dispensed with. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Minutes of the June 27, 2019 Meeting as presented.

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

RESOLVED: To approve the Minutes of the June 27, 2019 Joint Board of Trustees Meeting with CTA's Pension Plan are approved as presented.

#### REPORT OF INVESTMENT COMMITTEE

Mr. Zarate referred the Trustees to Marquette Associates monthly update, dated July 31, 2019. A copy of that report is attached and made part of these Minutes. Mr. Zarate said that August has been a volatile month but flat returns still seem likely. Year-to-date as of July 31, 2019, the Fund returned 11.9% matching the benchmark. As of yesterday, August 28, 2019, the Fund's assets were \$887,137,477.76. Mr. Zarate pointed out that fiscal year-to-date, net cash flow has been -\$6,282,988.00. That money has gone for benefits and expenses.

Reviews of individual managers then ensued. Special attention was given to Garcia Hamilton's underperformance. That manager anticipated that interest rates would rise and they have not. Matarin also has had disappointing results. It is a small cap manager. It has a model-driven approach focusing on low cost stocks which have underperformed more expensive stocks. Mr. Zarate recommended that they be given until the end of the year to recover.

Mr. Zarate then asked the Trustees to go to page 19 of his presentation book which addressed the August 27, 2019 Investment Committee Meeting when changes in the asset allocation were discussed. He reported that the Investment Committee decided to move toward a more diversified portfolio that maintains the Fund's ability to achieve its long-term goals. The consensus of the Committee was to lower the U.S. mid-cap core allocation from 10% to 5%; lower the U.S. Small Cap core allocation from 10% to 5%; and to increase the U.S. Large Cap core allocation from 15% to 25%. The reductions in allocations would be completed on a proportionate

basis and assets will be reinvested in the Piedmont S&P 500 Index Fund. At the Investment Committee meeting, Marquette was also, pending approval by the full Board, asked to move forward with the process of adding new asset classes as part of a reallocation of investment policy guidelines. Marquette will prepare requests for proposals for an opportunistic/value added real estate fund manager, for a global infrastructure manager, and to continue education on possible alternative strategies. Marquette will continue considering a revised asset allocation in conjunction with discussions regarding assumed actuarial rate of return. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt Marquette's recommendations to move mid-cap core allocation from 10% to 5%; to move the domestic small-cap core allocation from 10% to 5%; to move the domestic large-cap core allocation from 15% to 25%; and to prepare RFP's for an opportunistic/value-added real estate manager and for a global infrastructure manager.

Discussion ensued. September 17, 2019 was selected for a follow-up meeting of the General Administration Committee and the Investment Committee to discuss further the issue of the assumed actuarial rate of return and investment strategies to achieve that return.

## OLD BUSINESS

### 2011-2017 Payroll Audit Update

Mr. Kallianis reported that Legacy is reconciling timesheets and payroll records for Locals 241 and 308's part-time employees.

### Summary of Litigation from Plan Counsel

Mr. Rosenblat referred to the litigation report prepared by his firm and distributed to the Trustees prior to the meeting. A copy of that report is attached and made part of these Minutes. No action was required on any of the matters addressed in the litigation report.

### Segal Update on 2019 Significant Dates

Ms. Stawiarski referred to the key dates calendar, which is attached and made part of these Minutes and was distributed to the Trustees. She reported that on August 1, 2019 there was the annual meeting with Humana and an educational session regarding the five-year valuation assumption study. There will be GA and Investment Committee meetings on September 17, 2019. It is anticipated that the Board meeting in September will be held on September 19, 2019. Items to be addressed at that meeting include approving the valuation report; medical and dental provider renewals and indexed cost share; and approving retiree premium rates for January 1, 2020. Finally, the open enrollment meeting is scheduled for November 1, 2019.

Discussion ensued regarding renewing the MetLife Dental Network contract. The renewal will be effective January 1, 2010 and it will continue to cover non-Medicare and Medicare retirees. Retirees pay the full cost of the premium. Segal negotiated a rate freeze through 2021. The Trust may terminate the agreement for 2021 if there are performance issues. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the MetLife Dental Network renewal through December 31, 2021.

The Humana renewal was then discussed. Mr. Levin addressed the Trustees and referred to his August 15, 2019 memorandum, a copy of which is attached and made part of these Minutes. Mr. Levin reminded the Trustees of the health insurer fee, which is a government mandated pass-thru that Humana is required to pay. That fee was suspended for 2019, but appears to be required for 2020. This fee would mean an increase of 15.3% for the PPO and 24.7% for the HMO. Segal asked Humana for some relief. Mr. Levin explained that Segal pushed Humana to improve their initial proposal. Ultimately, Humana improved their offer and Segal is recommending accepting

a proposal where half of the HIF for 2020 on each of the PPO and HMO plans would be paid for by Humana, to hold the base rate for 2021 for the both the PPO and HMO which would be the third year at that rate, and absorb 52% of the HIF for 2021 if it is still in place so that the 2021 rates will be a rate hold even if the HIF remains in place for 2021. Mr. Levin said that this is an aggressive offer by Humana. It results in an immediate \$1.4 million in savings relative to the original 2020 rate guarantee and also provides protection for 2021 if the HIF is still in place. As a result, Segal recommends this option unless there are service issues with Humana. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

**RESOLVED:** To approve the Humana option recommended by Segal Consulting of extending the Humana contract through December 31, 2021 with Humana paying for one half of any health insurer fee assessed in 2020; to continue the base rate through 2021 and to pay 52% of any health insurer fee for 2021.

The attention of the Trustees was then directed to Ms. Zaveduk and the “Assumptions Review and Preliminary January 1, 2019 Valuation Results.” A copy of that report is attached and made part of these Minutes. Ms. Zaveduk reviewed the report with the Trustees and noted the changes in assumptions. The assumptions are reviewed every five years. The changed assumptions adopted by the Retirement Plan’s actuary were taken into account. Included in the changed assumptions were mortality rates, turnover rates, disability rates, election of PPO versus HMO and disabled on Medicare versus non-Medicare disableds. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

**RESOLVED:** To approve the “Assumptions Review and Preliminary January 1, 2019 Valuation Results.”

MEETING DATE CHANGE

Discussion ensued regarding the scheduled October 24, 2019 meeting date. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To move the meeting date from October 24, 2019 to October 30, 2019.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Applications for benefits, bills and remittances and attendance at educational conferences were presented. Educational conference preapprovals included half of the cost for Secretary McKone and half of the cost for Mr. Kasmer for the Trustees Administrators Institute for February 2020. McKone's application is for the Annual International Foundation of Employee Benefit Plan meeting. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the applications for benefits, bills and remittances and educational conference preapprovals as presented.

EXECUTIVE SESSION

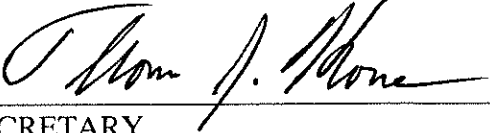
There was no need for an executive session.

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 12:23 p.m.

  
SECRETARY