

**MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
September 19, 2019**

TRUSTEES PRESENT

Keith Hill	Chairman
Thomas McKone	Secretary
Kenneth Franklin	
John Burkard (for 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.
Ronald M. 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
James P. Daley	Jackson Lewis, on behalf of the CTA appointed Trustees
Miguel Zarate	Investment Consultant, Marquette Associates
Jesus Jimenez	Investment Consultant, Marquette Associates
Barbara Zavaduk	Actuarial Consultant, Segal Consulting
Dorothy Stawiarski	Benefits Consultant, Segal Consulting

CALL TO ORDER

A quorum being present, the meeting was called to order at 10:55 a.m.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the August 29, 2019 Meeting 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 August 29, 2019 Meeting as presented.

REPORT OF INVESTMENT COMMITTEE

Mr. Zarate referred the Trustees to the Marquette Associates monthly update, dated August 31, 2019. A copy of that report is attached and made part of these Minutes. Mr. Zarate reported that August was a difficult month. The Fund returned -0.5% compared to the benchmark which returned -0.3%. Year-to-date, the Fund has returned 11.3% through August 31, 2019. September returns have been good so far. As of September 18, 2019, total value of the Fund's investments were \$899,039,813.35. Mr. Zarate then directed the attention of the Trustees to annualized performance for various asset classes and the underlying individual managers. Year-to-date through August 31, 2019, the non-U.S. fixed income composite returned 12.6% compared to the benchmark which returned 12.5%. Total equity composite also outperformed the benchmark returning 15.8% compared to 13.8%. The non-U.S. equity composite returned 10.8% compared to the benchmark which returned 8.8%. Active managers added value over the benchmark in the investment portfolio.

Individual managers were then reviewed. Mr. Zarate pointed out that the Great Lakes Large Cap Value manager underperformed the benchmark returning 10.9% year-to-date compared to the benchmark of 13.8%. Great Lakes holds stock in financial services companies whose returns were hurt due to interest rates. Special attention was also given to Matarin Capital Management which has also underperformed year-to-date, returning 8.1% compared to the benchmark return of 11.8%. Mr. Zarate did note that the three-month return for Matarin was 3.9% compared to the benchmark return of 2.4%. Value versus growth returns have been dramatically different. Discussion ensued. There will be an RFP for a value added real estate manager and for infrastructure managers. Mr. Zarate reported that the William Blair Emerging

Markets Leaders Fund returned 14.1% year-to-date through August 31, 2019, compared to the emerging markets benchmark which returned just 3.9%. He also said that the Heitman America Real Estate Fund has significantly underperformed due to its holdings in the industrial sector. Mr. Zarate was thanked and excused from the meeting.

OLD BUSINESS

2011-2017 Payroll Audit Update

Mr. Kallianis reported that Legacy's work on the 2011-2017 payroll compliance audit continues. Legacy is currently reconciling records for 655 part-time ATU employees.

Litigation Report of Fund Counsel

Mr. Rosenblat referred the Trustees to the Legal Report prepared by his firm and previously distributed to the Trustees. A copy of that report is attached and made part of these Minutes. Mr. Rosenblat reviewed the matters addressed in his report. He reported that there was a settlement conference in the contributions case yesterday. He also reported that the Hampton case settled and that Mr. Vesselinovitch expects it to be dismissed with prejudice by the end of the month.

Mr. Rosenblat then reminded the Trustees that they had previously authorized dismissing Michelle Morton from litigation related to recovery of amounts lost through the Wakpamni bond purchases. He reported that through her counsel, she has offered to enter into a tolling agreement with the Retiree Health Care Trust, the acceptance of which has been recommended by the Burke Warner firm which represents the Trustees in the Wakpamni litigation. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To authorize entering into a tolling agreement with Michelle Morton as recommended by Burke Warner.

Segal Update on 2019 Significant Dates

Ms. Stawiarski referred the Trustees to the key dates calendar, which was distributed to the Trustees and is attached and made part of these Minutes. She highlighted that there was a GA Committee meeting on September 17, 2019. She also reported that retirement seminars are scheduled for October 3 and 4, 2019. The GA Committee recommended no changes in rates for 2020. The Trustees reviewed the retiree contribution rates. A copy of the rate chart was distributed to the Trustees and is attached and made a part of these Minutes. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the retiree contribution rates as presented.

Actuarial Report

The attention of the Trustees was then directed to Ms. Zavaduk and the actuarial evaluation as of January 1, 2019, including accounting disclosures for the year ended December 31, 2018. Ms. Zavaduk noted that the report is marked "draft" because it has not yet been approved. Once the Board approves it, "draft" will be taken off and the report will be sent to the Illinois Auditor General as required by law. A copy of that report is attached and made a part of these Minutes. Ms. Zavaduk reviewed the report with the Trustees. The present value of projected benefits is \$730,339,005 as of January 1, 2019. Total income and assets were \$941,025,679. Income and assets in excess of projected benefits was \$210,686,674. Income and assets as a percentage of projected benefits were 128.8%. Ms. Zavaduk reviewed with the Trustees how projected benefits are calculated. She also reviewed changes in actuarial assumptions. Special attention was given to changes in the retirement dates and deaths which followed changes in the retirement plan assumptions. Retiree self-pays as a percentage of total

costs of benefits was 35.64%, which is less than the statutory maximum of 45% of the total costs of benefits. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To lower the investment return target from 7% to 6.85%.

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

RESOLVED: To accept the actuarial evaluation as of January 1, 2019 as presented by Segal Consulting

PRESENTATION OF AUDITED FINANCIAL STATEMENTS

The Trustees were presented with the 2018 audit results and required communications from Mitchell Titus. A copy of that report is attached and made a part of these Minutes. The audit report offered an unqualified clean opinion. There were no significant findings. Mitchell Titus did identify variances and opportunities for improvement in vending and third-party administrator monitoring controls. An issue was identified regarding eligibility of claimants whose claims were processed under the Caremark contract, but should have been processed under the Humana contract. It is not expected that these amounts will be material. Caremark appeared not to be properly communicating exceptions. Daily reports are now being received. Mr. Kallianis said he would continue to report on this until it is resolved. There were no disagreements with management.

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

RESOLVED: To accept the audit report pending changes as discussed.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Applications for benefits, bills and remittances were presented for consideration. Upon motion made and seconded, the following Resolution was unanimously adopted:

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

No requests for educational conferences were 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 11:40 a.m.



SECRETARY