

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
October 30, 2019

TRUSTEES PRESENT

Keith Hill	Chairman
Thomas McKone	Secretary
Kenneth Franklin	
Christopher Kasmer	
April Morgan	
Paul Sidrys	

TRUSTEES ABSENT

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
Daniel Salami	Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustees
Miguel Zarate	Investment Consultant, Marquette Associates
Jesus Jimenez	Investment Consultant, Marquette Associates
Dan Levin	Actuarial Consultant, Segal Consulting

CALL TO ORDER

A quorum being present, the meeting was called to order at 10:40 a.m.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the September 19, 2019 Board of Trustees 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 September 19, 2019 Meeting as presented.

REPORT OF INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette report for the quarter ending September 30, 2019. A copy of that report is attached and made part of these Minutes. The report was previously distributed to the Trustees. Mr. Zarate directed the attention of the Trustees to Page 3 which showed a market value of \$807,515,072 as of September 30, 2019. He reported that as of yesterday, the market value of the Fund's assets were \$906,690,279.26. He reported that asset allocation has been discussed at Investment Committee meetings which resulted in some recommended changes to the allocations. U.S. small cap core moved from 10% to 5%, U.S. mid cap core moved from 10% to 5% and U.S. large cap core moved from 15% to 28%.

Mr. Zarate then directed the attention of the Trustees to the summary of cash flows. Year-to-date, only \$8,185,942 was needed to cover Plan expenses. He next reviewed with the Trustees the annualized return versus standard deviation. Individual managers and asset classes were reviewed. Special attention was given to Garcia Hamilton, a fixed-income composite manager, which returned 6.9% year-to-date through September 30, 2019 compared to its benchmark return of 8.5%. Managers that have outperformed their benchmarks in the U.S. fixed income composite include MacKay Shields Core Plus, which returned 9% year-to-date through September 30, 2019 compared to its benchmark of 8.5% and TCW Opportunity Core Plus Fixed Income Fund, which returned 8.8% compared to its benchmark of 8.5%. The Prudential Emerging Markets Fund is up 13% versus the benchmark. The non-U.S. fixed income composite returned 13% year-to-date through September 30, 2019. The non-U.S. fixed income

composite manager is Prudential Emerging Markets Debt Fund, which returned 13% compared to the JP Morgan EMBI Global TR Index which returned 12.1%. Other asset classes and managers were then reviewed. In the non-U.S. equity composite space, Mr. Zarate pointed out that year-to-date, through September 30, 2019, the William Blair Emerging Markets Leaders' Fund returned 16.3% compared to the MSCI Emerging Markets Index which returned 5.9%. Mr. Zarate reviewed the real estate allocation noting that retail makes up between 12% and 15% of the real estate market and that area has suffered.

Mr. Zarate was asked about the difference in the returns between CTA Pension Fund and the RHCT. He reviewed the asset allocation differences between the two Funds.

Mr. Zarate then directed the attention of the Trustees to Exhibit 3 of the Marquette presentation which was a Memorandum reviewing the asset allocation discussions held at the Investment Committee Meeting. The Committee accepted recommendations from Marquette on changing the asset allocation. The Committee also recommended reducing the assumed rate of return to 6.85%. Changes to the asset allocation included reducing the overall fixed income portfolio from 40% to 34% by reducing the core plus allocation from 20% to 19%, and reducing the global aggregate from 5% to 0%. The total U.S. equity composite increased from 35% to 38% with U.S. large cap core going from 15% to 28% and U.S. mid cap core going from 10% to 5%, and U.S. small cap core going from 10% to 5%. Total non-U.S. equity was reduced from 15% to 12%. This was accomplished with the broad non-U.S. equity allocation going from 5% to 6%, the non-U.S. small cap allocation going from 5% to 2%, the emerging market allocation going from 3% to 2%, and the emerging market small cap allocation staying at 2%. Real estate core allocation went from 10% to 7%. The opportunistic real estate allocation went from 0% to

3%. Global infrastructure went from 0% to 3%. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt portfolio D for asset allocation as presented.

Mr. Zarate was then thanked for his report.

OLD BUSINESS

A. 2011-2017 Payroll Audit Update

Mr. Kallianis reported that Legacy has payroll records for ATU Locals 241 and 308 and is working with the two Locals and the CTA for reports on a monthly basis.

B. Summary of Litigation from Plan Counsel

Mr. Rosenblat referred to the litigation report in the meeting materials. A copy of that report is attached and made part of these Minutes. He reported that no action on any pending litigation is required by the Trustees at this time, but that he could report on the status of the contributions case during the executive session.

C. Recommendations from Segal on Blue Cross Blue Shield Digital Health Offerings

Mr. Levin referred to an October 30, 2019 memorandum from him which was previously distributed to the Trustees. A copy of that memorandum is attached and made part of these Minutes. The memorandum described three wellness programs available through Blue Cross Blue Shield. No additional administrative fee would be charged by Blue Cross if one of those wellness programs was adopted. The only fee would be for the underlying program. Three programs were presented. They were Omada, Livongo and Naturally Slim. Naturally Slim is currently available through the Fund. Segal recommended using Naturally Slim going forward through the Blue Cross Blue Shield system primarily because the CVS Caremark Prescription

Benefit Management Agreement requires that rebates would be reduced if the Fund uses either Omada or Livongo. That is because Omada and Livongo provide diabetic testing strips for no cost, consequently reducing the amount of sales through CVS Caremark. Discussion ensued. This program is only available for PPO participants. Discussion ensued regarding how many people signed up for the Naturally Slim program. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To select the Blue Cross Blue Shield Naturally Slim program.

Mr. Hill abstained.

D. Segal Update on 2019 Significant Dates

There were no changes from the last meeting. The Trustees were reminded that November 1, 2019 is the open enrollment meeting date.

NEW BUSINESS

Consideration of Proposed Benefit Review

Jeanette Carmona from Mitchell Titus was introduced to the Trustees to discuss the Mitchell Titus proposal to conduct agreed-upon procedures to review eligibility and benefit payments. The review is a good practice from a governance standpoint. The proposed review would be for a fee of \$35,000 for both the Retirement Plan and the Retiree Health Care Trust. Eligibility and premiums would be reviewed. Mr. Rosenblat suggested that separate contracts be entered into for the Retiree Health Care Trust and the Retirement Plan.

General Administration Committee Issues

Mr. Kasmer said that applications for benefits and bills and remittances were in the meeting materials. Upon motion made and seconded, the following Resolution was unanimously adopted:

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

There were no educational conference preapprovals requested.

EXECUTIVE SESSION

Mr. Kasmer moved that the Trustees go into executive session. That motion was seconded by Mr. Franklin. Upon motion made and seconded, the following Resolution was unanimously adopted:


RESOLVED: To enter executive session.

ADJOURNMENT

The Trustees came out of the executive session at 11:44 a.m. 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 11:45 a.m.


SECRETARY