

Meeting of the Retirement Plan for CTA Employees Board of Trustees

55 West Monroe Street
Suite 1950
Chicago, IL 60603

September 22, 2016

Meeting Minutes

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on September 22, 2016 at One North Franklin Street, 27th floor.

The following Trustees were present:

Chris Kasmer as an Alternate for John Burkard (Vice Chair)
Joan Coogan (Chair)
Carlos Acevedo
Ronald Ester
Jeremy Fine
Kenneth Franklin
Valerie Matthews-Wilson
Tom McKone
Tommy Sams, Jr.
Paul Sidrys

John Kallianis was present as the Executive Director. Richard Burke of BWM&S was present as General Counsel for the Retirement Plan. Appearing on behalf of the ATU Local 308 appointed Trustee was Joe Burns of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the ATU Local 241 appointed Trustees was Justin Lannoye of Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich. Appearing on behalf of the CTA-appointed Trustees was James Daley, of Jackson Lewis, LLP. Appearing on behalf of the Regional Transit Authority-appointed Trustee was Daniel Salemi of Franczek Radelet, PC.

Also present was Kweku Obed of Marquette Associates, Larry Langer and Wendy Ludbrook of Buck Consultants, and Kenneth Yu and Krunal Shah of Mitchell Titus.

On motion by Mr. Sams, seconded by Mr. Kasmer, consideration of the minutes for the August 25, 2016 meeting was deferred.

General Administration Committee Items

Mr. Franklin presented the General Administration items 4a through 4i, including benefit applications and bills and remittances, for approval. On a motion by Mr. Franklin, seconded by Ms. Sams, the Board approved items 4a through 4i.

Investment Committee Items

Mr. Obed of Marquette Associates reported the market value of the Fund from the previous day's close was \$1,735,941,675.53. Mr. Obed further reported, without the return information for alternatives, the Plan had a year to date return of approximately 5.2%.

Mr. Obed then reported the closed-end and private equity real estate returns for the first quarter were included in the information and were 60 basis points and 70 basis points, respectively, for the first quarter.

Mr. Obed also reported the transition that began in October of 2014 was complete with respect to hiring new managers. Mr. Obed then spoke about the private equity allocation and the hedge fund allocation and suggested the Investment Committee discuss the allocations at its next meeting.

Old Business

Mr. Kallianis had circulated the summary of the recent payroll review committee meeting and reported the next meeting would be held on October 14, 2016. The committee would talk about the completion of the agreed-upon forms and the follow-on audit from July, 2011 through December, 2015.

Larry Langer and Wendy Ludbrook from Buck Consultants presented the January 1, 2016 Actuarial Valuation, including the funded ratio and the 2017 required contributions.

Mr. Langer reviewed the actuarial gains and losses for the year. He explained that certain actuarial factors, including salary experience and mortality experience, reflected losses and that certain items, including a data change for decrementing actives, had produced a gain. In total, the Plan had an actuarial loss of approximately \$167M in 2015.

Mr. Langer and Ms. Ludbrook reported the funded ratio at January 1, 2016, was 53.36% and that the participants and the CTA would have to increase contributions to 11.962% and 17.925% (exclusive of the credit for debt service) on January 1, 2017, to reach a 60% funded by 2025.

There was discussion about some of the specific gains and losses from 2016 and the sensitivity of the funded ratio to future market returns. On a motion by Mr. Kasmer,

seconded by Mr. Burke, the Board accepted the valuation report, the funded ratio included in the report, and certified the employee and employer contribution rates for 2017.

Mr. Langer and Ms. Ludbrook then provided the Trustees with some additional information requested at the last meeting regarding analysis of increases to employee populations and elimination of the one-year waiting period to participate in the Plan.

Mr. Kallianis then summarized the proposed process for evaluation of the Legal Services RFP and Job Posting. He reminded the Trustees that we had received eight responses to the RFP and one response to the Job Posting. He suggested he circulate an evaluation form and, based on the tabulation of the scores, the Trustees would decide which respondents/applicants they would like to interview.

After some discussion about the Legal Services RFP and Job Posting, Mr. Kasmer made a motion to move into Executive Session to discuss litigation. Mr. Franklin seconded the motion and the Trustees voted unanimously to move to Executive Session to discuss litigation.

New Business

Mr. Kenneth Yu and Mr. Krunal Shah from Mitchell Titus then discussed the audit of 2015 financial statements for the Plan. Mr. Yu indicated Mitchell Titus was issuing a clean opinion with the audit. Mr. Yu explained Mitchell Titus did not have any significant exceptions or concerns about the financial statements. He also explained they had the full cooperation of the management of the Plan and received information related to the audit on a timely basis.

Mr. Shah then explained that, during the audit, they do some sample-based testing on individual files and plan level testing. He also said they look at the actuarial information to ensure the assumptions are reasonable and in accordance with recent industry accounting guidance and they felt the waassumptions were reasonable.

On a motion by motion by Mr. Acevedo, seconded by Mr. Kasmer, the Board voted to accept the report on the 2015 financial statements.

On a motion by Mr. Kasmer, seconded by Mr. Sidrys, the Board adjourned their meeting.