

MINUTES OF THE MEETING  
BOARD OF TRUSTEES  
CTA RETIREE HEALTH CARE TRUST  
Via Microsoft Teams Pursuant to the Governor's Executive Order 2020-18  
August 27, 2020

TRUSTEES PRESENT

Thomas McKone	Chairman
Keith Hill	Secretary
Mark Weams	(Alternate for Kenneth Franklin)
Paul Sidrys	
Joseph Burke	
April Morgan	
Christopher Kasmer	

ALSO PRESENT

Georgette Hampton	Alternate Trustee for CTA
Andrew Fuller	Alternate Trustee for CTA
Marqueal Williams	Alternate Trustee for ATU Local 241
John V. Kallianis	Executive Director
Elsa Trejo	Finance Officer
Diane Polk	Court Reporter
Miguel Zarate	Investment Consultant, Marquette Associates
Alex Vesselinovitch	Counsel for the Trust, Freeborn & Peters on the Hampton and Williams cases
Dan Levin	Benefits Consultant, Segal Consulting
Nicole Lorens	Benefits Consultant, Segal Consulting
Barbara Zaveduk	Actuarial Consultant, Segal Consulting
Daniel R. Salemi	Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustee
Anita Tanay	General Counsel for ATU Local 308, on behalf of the ATU Local 308 appointed Trustee
Ronald M. Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich, on behalf of the ATU Local 241 appointed Trustee
James P. Daley	Jackson Lewis, on behalf of the CTA appointed Trustees
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.

### CALL TO ORDER

A quorum being present, the meeting was called to order at 11:00 a.m. Because the meeting was being held through Microsoft Teams, Mr. Kallianis identified attendees at the meeting, including the court reporter.

### APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the June 25, 2020 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 adopted:

RESOLVED: That the Minutes of the June 25, 2020 Board of Trustees meeting be approved as presented.

Mr. Weams abstained.

### OLD BUSINESS

The Chairman said that because Mr. Zarate was having technical difficulties in joining the meeting, the Investment Committee report would be skipped and addressed later in the meeting.

Mr. Kallianis reported on the 2011-2017 payroll compliance audit. He reported that on September 18, Legacy will provide a draft of the expedited review of certain 241 and 308 employees and that on October 18, a full draft of the report will be available.

The Chairman asked Mr. Rosenblat for a summary of litigation. Mr. Rosenblat referred the Trustees to the written report provided to the Trustees and attached and made part of these Minutes. He said that no matters required the Trustees' action at this time, other than a report from

from Mr. Vesselinovitch which should be made during the Executive Session. Mr. Rosenblat invited questions from the Trustees. There being none, he was thanked for his report.

Mr. Levin reported on significant dates. There will be a general administration Committee Meeting on September 17, 2020. Discussion ensued regarding the November 2020 enrollment meeting being held electronically.

#### REPORT OF THE INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette Associates Monthly Update dated July 31, 2020. A copy of that report is attached and made part of these Minutes. Mr. Zarate reported that all managers were in compliance. Fiscal year-to-date through July 31, 2020, the Fund returned 2% compared to the policy benchmark which returned 3.1%. As of July 31, 2020, the total assets of the Fund were \$933,378,060. As of yesterday, August 26, 2020, total assets in the Fund were \$973,971,746.84.

Asset allocations are within the policy guideline ranges. There is an overweight to equities equities which Mr. Zarate said he would address later in his report. He reported that investments with American Realty Advisors, IFM and ULLICO Infrastructure Funds are in the process of being completed. The U.S. equities allocation is 1.9% overweight. Individual manager performance was then reviewed. Year-to-date, the non-U.S. equity composite returned -3.4% compared to the index which returned -7%. Mr. Zarate pointed out that the Prudential Emerging Market debt investment returned -2.1% year-to-date compared to the JP Morgan EMBI Global TR benchmark which returned 1.8%. The Eagle MCG Mid-Cap Fund returned 22.1% for the three months ending ending July 31, 2020, which outperformed the Russell Mid-Cap Growth Index which returned

21.6% during that same period. Kayne Anderson performed extremely well for the one month, three month and year-to-date periods. The Kayne Anderson Small Cap Value Fund returned 5.7% year-to-date compared to the Russell 2000 Value Index which returned -21.9%. For the one-month month period, Kayne Anderson returned 5.4% compared to the Russell 2000 Value Index which returned 2.1%. The AmalgaTrust Copeland Capital Fund returned 4.3% for the month ending July July 31, 2020 compared to the Russell 2000 Index which returned 2.8%. Copeland is a small cap composite manager. Mr. Zarate reviewed the non-U.S. equity managers including the Lazard International Equity Fund which has a value tilt which negatively impacted its performance year-to-date through July 31, 2020. Year-to-date, Lazard International Equity returned -10.6% compared to the benchmark MSCI ACWI EX USA Index which returned -7%.

Mr. Zarate then noted that the meeting materials included an updated Investment Policy. He asked the Trustees to review it and contact him with any questions or comments. He also asked that Mr. Kallianis and Ms. Trejo be copied on any of that correspondence. He anticipated that the Policy could be adopted at the September 2020 meeting. There being no further business for the Investment Committee, Mr. Zarate was thanked for his presentation.

## NEW BUSINESS

### January 1, 2020 Actuarial Valuation

The attention of the Trustees was directed to Ms. Lorens who referred the Trustees to the draft actuarial valuation as of January 1, 2020. A copy of that report is attached and made a part of these Minutes. The actuarial present value of projected benefits was reviewed. For current retirees, the present value of benefits is \$425,099,530. Retiree self-payments are anticipated to be

be \$143,128,342 for a net present value of benefits of \$281,971,188. The actuarial present value of projected benefits for future retirees is \$589,487,236. Self-payments for this group are projected to be \$193,356,666 for a net present value of \$396,130,570. The total present value of projected benefits for current and future retirees is \$764,240,777. The actuarial present value of projected income and assets was then reviewed. Total income and assets is \$1,085,913,539. Income and assets in excess of projected benefits is \$321,672,762 for income and assets as a percentage of projected benefits of 142.1%.

Ms. Lorens then directed the attention of the Trustees to Page 8 of the report which reviewed the 45% test. The Pension Code requires that the total contributions from all retirees, dependents and survivors not be more than 45% of the total cost of benefits. That term is defined as the amount expended by the Retiree Health Benefit Program in the prior Plan year. The aggregate retiree, dependent and survivor contributions in 2019 were \$14,691,828. The total cost of benefits in 2018 were \$49,604,392. Retiree contributions were 29.6% of the cost of benefits; consequently, the test was satisfied.

Ms. Lorens was thanked for her report.

Mr. Levin directed the attention of the Trustees to the Segal report on January 1, 2021 vendor renewals. A copy of that report is attached and made part of these Minutes. First, Mr. Levin addressed Blue Cross Blue Shield. It provides an HMO and its rate for 2021 decreased 3.3%. Segal negotiated that reduction which should save the Fund approximately \$159,300. Blue Cross Blue Shield also offers a PPO, where the Trust incurs the cost of the claims and Blue

Cross Blue Shield provides administrative services and network access. That contract will increase increase by 1% for 2021, pursuant to negotiations that were done in 2019.

Mr. Levin then addressed Humana which offers the Medicare Advantage Plans. Those plans cover Medicare retirees either with an HMO or PPO. There will be a 17.8% reduction for the HMO and a 17.9% reduction for the PPO. The federal health insurance fee was eliminated and claims were down due to Covid-19. Humana proposes a \$218.10 per member per month fee for the PPO. In addition, they will offer a \$21.17 per person per month premium credit for 2021 and to guarantee that for 2022 the base premium will not increase and the monthly credit of \$21.17 will continue. The premium for 2021 and 2022 would in effect be \$196.93, which comes to a reduction in cost of \$3.4 million.

The Humana HMO renewal was then addressed. The current base premium is \$103.72 per individual per month. The proposal is to reduce that to \$95.80 for 2021, and 2022 if the Trust accepts a two-year proposal. No premium credit was offered for the HMO, but a \$35,952.00 refund is being offered in recognition of the lower utilization due to Covid-19. The health insurance fee is also eliminated which was a pass through cost that Humana administered.

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

RESOLVED: To accept the renewal proposals from Humana, including the extension.

The attention of the Trustees was then directed to the Blue Cross Blue Shield non-Medicare PPO and HMO renewals. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the Blue Cross Blue Shield non-Medicare PPO and HMO renewals.

The motion was unanimously adopted.

Mr. Levin then directed the attention of the Trustees back to his report and the MetLife renewal. MetLife provides a dental network. The MetLife contract is through December 31, 2021, however, MetLife is offering to extend the contract by another year with no rate increase. Mr. Kasmer moved that the Board accept the renewal rates through 2022. Mr. Burke seconded the motion. Discussion ensued whether negotiations with MetLife might yield more favorable terms. Mr. Kasmer withdrew his motion. Mr. Burke withdrew his second. Mr. Levin will contact MetLife regarding renewal rates.

Mr. Levin then directed the attention of the Trustees to the 2021 benefit indexing options outlined in his report. Discussion ensued regarding indexing. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the current deductibles through 2021.

Mr. Levin then referred to an August 24, 2020 memorandum regarding prescription drug formularies. A copy of that memorandum was previously distributed to the Trustees and is attached and made part of these Minutes. Mr. Levin gave the Trustees an overview of what prescription drug formularies are and how they work. Discussion ensued regarding appeals when a change in formulary leads to a prescription drug no longer being available. Further discussion ensued. Mr. Hill will review with Mr. Levin specific instances where participants have appealed due to changes in the prescription drug formularies.

### Joint Payroll Audit Committee

It was noted that Mr, Eiland, Mr. Weems, Ms. Morgan, Mr. Fuller and Mr. Burke were nominated and approved to be the Joint Payroll Audit Committee for the Pension Plan. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To appoint Mr. Eiland, Mr. Weems, Ms. Morgan, Mr. Fuller and Mr. Burke to the Payroll Audit Committee.

### REPORT OF GENERAL ADMINISTRATION COMMITTEE

Mr. Kasmer reported that applications for benefits and bills and remittances were distributed to the Trustees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve items 7a and b, which were applications for benefits and bills and remittances.

Regarding Item 7c which were requests for educational conference preapprovals, Mr. Kasmer moved to have Mr. Bowen and Mr. Williams included on the preapprovals for a virtual attendance at a September 15 through September 18, 2020 conference for Mr. Hill, Mr. Bowen and Mr. Williams. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the applications for preapprovals for Mr. Hill, Mr. Bowen and Mr. Williams to attend an educational conference with the Retiree Health Care Trust assuming one-half of the cost of attendance.

### EXECUTIVE SESSION

Mr. McKone moved that the Board go into executive session. The motion was seconded by Mr. Kasmer. The following Resolution was unanimously adopted.



RESOLVED: To move into executive session.

The Board moved into executive session at 12:27 p.m. The Board moved into open session at 12:47 p.m. Mr. McKone reported that during the executive session, ongoing litigation was discussed.

#### 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 12:48 p.m.