

Meeting of the Retirement Plan for CTA Employees Board of Trustees

200 West Adams Street
17th Floor
Chicago, IL

Approved
Meeting Minutes

A regular meeting of the Board of Trustees of the Retirement Plan for CTA Employees was held on April 27, 2017 at 200 West Adams Street, 17th Floor commencing at 9:43 a.m.

A roll call was taken indicating that the following Trustees were present:

Toi Bowers
Joseph Burke
Woodrow Eiland
Ron Ester
Jeremy Fine
Keith Hill
Chris Kasmer, as an alternate for John Burkard, Vice Chair
Thomas McKone, Chair
Paul Sidrys
Sherri-Thornton-Pierce
Mark Weems, as an alternate for Kenneth Franklin

John Kallianis was present as the Executor Director. Richard W. Burke and Rachel Yarch of Burke, Warren, MacKay & Serritella, P.C. were present as General Counsel for Retirement Plan. Appearing on behalf of ATU Local 308 appointed Trustees was Joseph M. Burns of Jacobs, Burns, Orlove and Hernandez. Appearing on behalf of the CTA Appointed Trustees was James P. Daley, of Jackson Lewis LLP. Appearing on behalf of the ATU Local 241 appointed Trustees was Justin J. Lannoye of Dowd, Bloch, Bennett & Cervone. Also present were Kweku Obed of Marquette Associates and Timothy Bowen of Mesirow Insurance Services.

Mr. Kallianis stated that a quorum was present. On a motion by Mr. Burke, seconded by Mr. Kasmer, the Board approved the draft minutes of March 23, 2017.

General Administration Items

Mr. Weems stated that the board package containing items 3(a) through 3(i) had been distributed to the Board of Trustees. Upon motion of Mr. Kasmer and seconded by Mr. Burke, items 3(a) through 3(i) were approved.

Mr. Weems stated that eight individuals requested approval to attend the IFEBF conference in October. On a motion by Ms. Bowers and seconded by Mr. Weems, the Trustees approved the eight to attend the conference.

Investment Subcommittee Items

Mr. Obed of Marquette Associates reported that the market value of the fund as of April 26, 2017 was \$1,771,222,660.23 and of that cash represented \$9,884,249.73. He stated that the quarterly target rate of return is 2.06%. At present, the return is 3.7%. He gave an overview of the various classes of investments and of the performance of managers. He spoke of the need to reduce the overweight of \$43 million to hedge funds. On the recommendation of Mr. Obed, a motion was made by Mr. Kasmer and seconded by Mr. Sidrys that the following funds in the hedge fund portfolio would be terminated. Viking Long/Short Fund, Aetos Multi-Strategy, Aetos Distressed Debt Fund and Graham Hedged Equity Fund of funds. The proceeds would be allocated among underweight holding.

Mr. Obed then discussed active/passive managers. On Mr. Obed's recommendation, Mr. Sidrys made a motion, seconded by Mr. Kasmer to terminate Decatur large cap growth from the portfolio and temporarily index those assets with the Northern Trust S&P 500 index fund. The motion was approved.

Mr. Obed then discussed the active emerging markets manager.

Mr. Obed said the recommendation was that Morgan Stanley be terminated and to temporarily place those assets with the Northern Trust EM Index Fund and then have an RFP out for a minority manager in the Emerging Market Space. To accommodate this, it will probably take between 4-5 months. Because it would be necessary to have the Sub Committee to opine on the matter, and to also have managers come in for interviews and then the legal review incidental to the agreement. Mr. Sidrys pointed out that on the previous motion to terminate Decatur and moves the proceeds to Northern Trust it was the intention that they would be placed permanently until another manager was hired. Mr. Sidrys so moved; it was seconded by Mr. Burke and approved by the Trustees.

On a motion by Mr. Sidrys to adopt Mr. Obed's recommendation, in regard to Morgan Stanley seconded by Mr. Burke, the motion passed unanimously. With that clarification from Mr. Sidrys in place.

Old Business

Mr. Kallianis distributed a report regarding the Payroll Review Committee. In response to a question from the Chairman, Mr. Burke stated his legal opinion in regard to responsibility for making the contributions in the Legacy report and the issue of the responsibility of the CTA bearing interest on its obligation. Mr. McKone then made a motion that the Retirement Plan for the Employees request payment from the CTA and payment from its employees for the unpaid amounts identified in the Payroll Audit for the period July 21, 2008 to June 30, 2011. All the settlement agreement and same for the 2010 mass layoffs. The motion was seconded by Ms. Thornton-Pierce.

Mr. Weems made a motion to defer so some of the Trustees would be able to speak with their counsel and overlook the legal memorandum. Ms. Bowers seconded the motion.

A roll call was taken and the motion to defer failed. The Chairman then called for a vote on the motion which he made that the CTA Retirement Plan request payment from the CTA and from its employees for the unpaid amounts identified in the Payroll Audit for the period July 1, 2008 to June 30, 2011 for the settlement agreement and the 2010 mass layoffs. The motion did not pass.

Mr. Weems then made a motion:

“I want to move the retirement plan retain Kopecky, Shumacher & Rosenberg to make a demand on the CTA for payment of the Legacy payroll audit findings on behalf of the retirement plan for the audit period covering January 1, 2008 through June 30th, 2011, less findings related to pay clothing allowance and accrued vacation pay, that separation plus interest in accordance with the form rules. The demand and any lawsuit shall include but not be limited to all sums identified for the audit period, including employer contributions and non-deducted employee contributions owed on compensation related to the grievance settlements and arbitration provided back pay for CTA’s health insurance, opt out payment as a result of clerical errors for employees on extended medical leave, for part-time unit officers with a credit for any CTA partial payment of contributions due to – due for the officers, for employees re-called from layoffs, and for any category where the CTA did not remit the required contributions. If the CTA does not make payment in full within 30 days of the date of the demand, the board of trustees authorize the filing of a lawsuit under Illinois Wage Payment and Collection Act and the terms of the trust agreement and any other binding agreements collecting delinquent contributions plus interest, fees, and costs.” Ms. Bowers seconded the motion.

Mr. McKone then made a motion to defer which was seconded by Ms. Thornton-Pierce. A roll call was taken and the motion carried. The Chairman stated that the consideration of the motion would be deferred until the next meeting and that they would consider those matters in executive session.

Payroll Audit Engagement Letter with Legacy. The Payroll Audit report would be for the period of July 1, 2011 through December 31, 2016. In response to questions in regard to the audit, the Chairman asked that representatives from Legacy attend the next meeting. The questions relate to the methodology of the audit.

Fiduciary Liability Insurance Renewal. Mr. Tim Bowen from Mesirow Insurance Services was in attendance and distributed a proposal in regard to the insurance. Mr. Bowen states that the program is up for renewal on May 31, 2017. The Board has been carrying for years a \$10 million of limited liability insurance with Ullico, the current insurance carrier. The insurance quote was for exactly the same insurance program which is presently in effect with no reductions of coverage in any way and no additional exclusions. All the policy provisions are carrying over from last year’s renewal to the present renewal. Mr. Bowen distributed a report showing the responses to the insurance solicitation. There is no funding exclusion in the policy. Mr. Bowen made a

recommendation that the Trustees adopt the Ullico proposal for \$10 million coverage with no deductible. Mr. Kasmer made a motion to adopt the recommendation, Mr. Weems seconded it.

The motion passed unanimously.

Mr. Kallianis then asked the Board to consider a change of their regular scheduled meeting dates for the months of June, August and October of 2017. He suggested the date of June 19, August 17 and October 19. Mr. Kasmer moved to adopt that recommendation and it was seconded by Mr. Burke. On a voice vote the motion passed.

Mr. Richard Burke then reported on the status of the Hampton case and also on the Matthews status.

Ms. Yarch then reported on the Ronald Taylor matter wherein the Federal government procured an Order of Turnover of Mr. Taylor's contributions to the Plan to address a judgment which the government had against Mr. Taylor. The amount of the turnover is just over \$85,000.

New Business

There being no further business to come before the meeting, on a motion by Mr. Kasmer, seconded by Mr. Hill, the meeting was adjourned at 11:31 a.m.