

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
200 West Adams Street, 17th Floor, Chicago, Illinois
January 23, 2020

TRUSTEES PRESENT

| | |
|--------------------|-----------|
| Thomas McKone | Chairman |
| Keith Hill | Secretary |
| Joseph J. Burke | |
| Kenneth Franklin | |
| Christopher Kasmer | |
| April Morgan | |
| Paul Sidrys | |

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 Salemi | Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustee |
| Dan Levin | Benefits Consultant, Segal Consulting |
| Dorothy Stawiarski | Benefits Consultant, Segal Consulting |
| Miguel Zarate | Investment Consultant, Marquette Associates |

CALL TO ORDER

A quorum being present, the meeting was called to order at 11:25 a.m.

APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the December 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: That the Minutes of the December 19, 2019 meeting be approved as presented.

ELECTION OF OFFICERS

It was noted that pursuant to the Trust Agreement a Chairman and Secretary need to be selected for 2020. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That Thomas McKone be Chairman and that Keith Hill be Secretary.

Discussion then ensued regarding the Chairman and Vice Chairman of the General Administration and Investment Committees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To confirm the current Chairman and Vice Chairman of the General Administration and the Investment Committees.

REPORT OF INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette Associates December 31, 2019 Monthly Update. A copy of that report is attached and made part of these Minutes. The report was previously distributed to the Trustees. Mr. Zarate informed the Trustees that the Chief Investment Officer of Great Lakes has left the firm. Consequently, Great Lakes has been put on notice due to professional turnover. The replacement has been employed by Great Lakes since 2011. The total Fund composite return for 2019 was 17.3%. The ending market value as of December 31, 2019 was \$933,344,690. January has been a strong month and the total assets of the Plan are \$945,862,202.75.

Individual manager performance was then reviewed. Mr. Zarate noted that the Prudential Emerging Markets Debt Fund outperformed its benchmark for 2019, returning 16.1% compared

to its benchmark of 14.4%. Mr. Zarate also noted that the Great Lakes Large Cap Value Fund returned 27.4% for the year ending December 31, 2019 compared to its benchmark, the Russell 1000 Value Index, which returned 26.5%. Each manager and asset class was then reviewed.

He reported that defensive equity RFP responses have been received. Eleven firms responded. This would be for a \$25 million to \$30 million allocation. Parametric and Glenmede will be scheduled to make presentations before the Investment Committee.

An open-end real estate manager for a \$25 million to \$30 million allocation will also be considered. The three finalists for that allocation are American Realty Advisors, Principal and UBS. They will also be interviewed at the next Investment Committee meeting.

Mr. Zarate then directed the attention of the Trustees to Exhibit 3 in his report, which reviewed a potential infrastructure allocation. Open and closed end funds were considered. Only open ended funds will be scheduled to make presentations to the Investment Committee. The finalists are IFM, Ullico and J.P. Morgan. The Investment Committee is scheduled for Friday, February 21, 2020 at 9:00 a.m. Mr. Zarate was thanked for his report.

OLD BUSINESS

A. 2011 through 2017 Payroll Audit Update

Mr. Kallianis reported that Legacy is working at completing the audit.

B. Summary of Litigation From Plan Counsel

Mr. Rosenblat referred to the Litigation Report from his firm which was previously distributed to the Trustees and is attached and made part of these Minutes. Any discussion of ending litigation will be held later on during the Executive Session.

C. Segal Update on 2020 Significant Dates

Ms. Stawiarski reviewed the calendar with the Trustees. A copy of the key dates was distributed to the Trustees and is made part of these Minutes.

Mr. Levin reported on recent legislation affecting the RHCT. The Cadillac tax has been repealed. The health insurer fee will be repealed starting 2021. This could result in a savings of approximately \$1.4 million in 2021. The Trustees were reminded that Humana is splitting that cost with the Fund. There would also be a potential savings of \$125,000 on the Blue Cross Blue Shield participants. The medical device tax was also repealed, although on a cost base it was never put into effect. The PCORI fee will be continued for an additional 10 years. That fee only costs the Fund approximately \$4,000 a year.

NEW BUSINESS

Mr. Rosenblat addressed the issue of what compensation should be the basis for the employees' 3% contribution. Mr. Rosenblat prepared a Resolution on this matter which is attached and made part of these Minutes. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To adopt the proposed Resolution on compensation.

The Resolution states as follows:

WHEREAS, the statute establishing the Retiree Health Care Trust does not define the term "compensation"; and

WHEREAS, Chicago Transit Authority ("CTA"), the employer, began to treat employer provided life insurance premiums in excess of the threshold and Internal Revenue Code, Section 79 as imputed income; and

WHEREAS, on February 27, 2014, the Board of Trustees of the Retirement Plan for CTA Employees adopted a Resolution finding that clothing allowances and payments to employees who opted out of healthcare coverage were not to be considered compensation under the Retirement Plan; and

WHEREAS, on November 26, 2019, the Board of Trustees of the Retirement Plan for CTA Employees adopted a Resolution finding that imputed income attributable to life insurance coverage in excess of \$50,000 shall not be considered compensation for purposes unique to that retirement plan; and

WHEREAS, the Retiree Health Care Trust Board of Trustees desires, for administrative convenience, to adopt rules consistent with the rules adopted by the Retirement Plan; the Trustees find as follows:

Compensation under the Retiree Health Care Trust shall exclude clothing allowances, shoe allowances, health insurance opt out payments and imputed income attributable to life insurance coverage in excess of \$50,000, as described in Section 79 of the Internal Revenue Code.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Mr. Kasmer reported that copies of the applications for benefits and bills and remittances have been distributed to the Trustees. Mr. Kasmer said that applications for benefits and bills and remittances were in the meeting materials. Copies of those documents are attached and made part of these Minutes. 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 SESSIONS

Upon motion made by Mr. Kasmer and seconded by Mr. Hill, the Trustees unanimously moved to go into executive session. The room was secured.

At 11:43 a.m., the Trustees resumed open session. During executive session, pending litigation was discussed. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To accept the recommendation of Burke Warren MacKay & Serritella regarding pending litigation.


Mr. Franklin abstained.

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 11:44 a.m.



SECRETARY