

MINUTES OF THE MEETING
BOARD OF TRUSTEES
CTA RETIREE HEALTH CARE TRUST
Via Microsoft Teams Videoconference
September 23, 2021

TRUSTEES PRESENT

Keith Hill	Chairman
Thomas McKone	Secretary
Eric Dixon	
Christopher Kasmer	
April Morgan	
Paul Sidrys	

TRUSTEES ABSENT

Joseph J. Burke

ALSO PRESENT

John V. Kallianis	Executive Director
Elsa Trejo	Finance Officer
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Michael Bowen	Alternate Trustee
Mark Weems	Alternate Trustee
Marqueal Williams	Alternate Trustee
Ronald M. Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich, on behalf of the ATU Local 241 appointed Trustee
Anita Tanay	General Counsel for ATU Local 308, on behalf of the ATU Local 308 appointed Trustee
James P. Daley	Counsel on behalf of the CTA appointed Trustees
Jim Kemperas	Legacy Professionals
John Kerulis	Legacy Professionals
Miguel Zarate	Investment Consultant, Marquette Associates
Jesus Jimenez	Investment Consultant, Marquette Associates
Nicole Llorens	Actuarial Consultant, Segal Consulting
Dan Levin	Benefits Consultant, Segal Consulting
Alex Vesselinovitch	Special Counsel, Freeborn & Peters

CALL TO ORDER

The Chairman called the meeting to order at 10:43 a.m.

ROLL CALL

Mr. Kallianis called roll and a quorum was declared present.

CONSIDERATION OF THE MINUTES FROM THE AUGUST 26, 2021 MEETING

The Minutes of the August 26, 2021 meeting had previously been distributed to the Trustees. A copy of those Minutes is attached and made part of these Minutes. 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 August 26, 2021 meeting as presented.

REPORT OF THE INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Marquette Associates Retiree Health Care Trust Monthly Update as of August 31, 2021. A copy of that report is attached and made part of these Minutes. The Fund returned 1.4% in August and 9.9% year to date through August 31, 2021. He reviewed the asset allocation versus the targets. Fixed income is underweight -3.4% and U.S. equities are overweight 2.8%. September has been a difficult month for equities and the market took care of rebalancing. As of August 31, 2021, total assets were \$1,138,008,414. As of September 22, 2021, total assets were \$1,116,575,231.47.

Mr. Zarate then reviewed individual managers. Real estate managers have been funded. The Fund is in capital call queues for infrastructure managers Ullico and IFM. Mr. Zarate said that Eagle has had a difficult period underperforming the S&P 400 Mid Cap Index 16.5% to 23.3%. Eagle holdings of Peloton and DraftKings hurt performance. Small cap growth has faced headwinds this year. Mr. McKone asked whether managers that have underperformed can be requested to reduce their fees. Mr. Zarate responded that William Blair and Artisan holdings

are in mutual funds so there is no flexibility on fees. Mr. Zarate also said that management fees have been reduced for Eagle and Kayne Anderson.

Mr. Zarate then asked the Trustees to direct their attention to a September 23, 2021 Memorandum from Marquette Associates regarding TCW. A copy of that Memorandum is attached and made part of these Minutes. TCW notified clients in August 2021 that its CIO planned to retire at the end of 2021. He was one of four generalist portfolio managers. Marquette placed TCW on alert due to the retirement of the CIO and reports of internal issues at the firm. No outflow from this manager has yet been reported. Mr. Zarate was thanked for his report.

OLD BUSINESS

Report of Payroll Audit Committee on 2011 through 2017 Payroll Audit

Mr. Kallianis reported that the Committee met on September 20, 2021. The final audit report was reviewed with Jim Kemperas and John Kerulis from Legacy. The Committee reached a consensus on all outstanding matters. Ms. Morgan reported that there were thirty-five job titles which should be ruled upon regarding whether they require the CTA to withhold and transfer contributions to the RHCT. Those job titles were identified on the shared screen for the Trustees to review. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the treatment of titles as indicated in the displayed file.

A copy of that file is attached and made part of these Minutes.

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

RESOLVED: That the final draft of the Payroll Audit Report for the Retiree Health Care Trust be approved.

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

RESOLVED: That the Board approves the return of ineligible contributions to ATU Locals 241 and 308 with the understanding that the ATU Locals will distribute the ineligible contributions back to their employees pursuant to the Payroll Audit Report.

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

RESOLVED: That the Board approve sending an invoice to the CTA for the Retiree Health Care Trust contributions that should have been withheld and remitted to the Trust as identified in the Payroll Audit Report prepared by Legacy Professionals.

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

RESOLVED: That the Board urge staff of the CTA and ATU Locals to meet and resolve differences with respect to the process of reporting time worked at ATU Locals by part-time Union officers;

FURTHER RESOLVED: That the Board request monthly updates from the parties on the progress towards resolution of those differences.

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

RESOLVED: That the Board ask the CTA and ATU Locals and Trust staff to gather the necessary information not later than February 1, 2022 to begin a payroll compliance audit for January 1, 2018 through December 31, 2021.

That concluded the report of the Payroll Audit Committee. Ms. Morgan was thanked for her report.

Summary of Litigation from Plan Counsel

Mr. Rosenblat directed the attention of the Trustees to the Legal Report which had previously been distributed to the Trustees. A copy of that report is attached and made part of these Minutes. He advised that no decisions were necessary by the Board today. He reported that the Court has advised that the Okere matter will be sent to arbitration. Mr. Rosenblat was thanked for his report.

Segal Update on 2021/2022 Significant Dates

Mr. Levin referred to the calendar update. Open enrollments are expected to be virtual. No other significant changes were reported. Mr. Levin was thanked for his report.

NEW BUSINESS

Presentation of the Annual Actuarial Valuation

Ms. Llorens directed the attention of the Trustees to the draft Actuarial Valuation as of January 1, 2021, including accounting disclosures for the year ended December 31, 2020. A copy of that report was previously distributed to the Trustees and is attached and made part of these Minutes. Ms. Llorens directed the attention of the Trustees to page 8. She noted that the report was reviewed in detail at the prior meeting. The total present value of projected benefits was \$728,100,192. The actuarial present value of projected income and assets was \$1,184,612,764. Income and assets in excess of projected benefits were \$456,512,572 which takes into account the statutory reserve of (\$33,207,208). Income and assets as a percentage of projected benefits were 162.7%. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the Annual Actuarial Valuation as presented.

Recommendations on Vendor Renewals

Mr. Levin directed the attention of the Trustees to a document entitled Some Decision Points and Updates Prepared by Segal Consultation. A copy that report is attached and made part of these Minutes.

Mr. Levin reviewed the discussion held at the General Administration Committee meeting held on September 20, 2021. The Committee reviewed the Blue Cross HMO renewal proposal. 2022 is the final year of the current agreement. This contract provides benefits for pre-Medicare participants who are given a choice of the fully insured HMO or the self-insured

PPO. There is a 1.5% fee increase for the fully insured HMO rates and a 2% increase for the self-insured PPO administrative fee. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the Blue Cross Blue Shield renewals for the HMO and the PPO services.

Mr. Levin then referred to the Humana Medicare Advantage Agreement. Last year the Trustees approved a two-year renewal so the 2022 fee is already in place. However, Humana offered to extend the contract through 2023 with a 2.1% increase in the base rate on the PPO in 2023 and 0% increase on the HMO in 2023. The decision is whether to accept the extension or to decline the offer. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To accept the contract extension offered by Humana through 2023.

The motion to accept the contract extension passed four to two.

The MetLife contract was also considered at the GA Committee meeting. The consensus at that meeting was not to take any action and to allow the contract to expire at the end of 2022. There was a 0% increase in 2022. There is a 9% cap on 2023 rates. MetLife proposed more favorable fee increases in exchange for allowing solicitation of the participants for some of its other products. Discussion ensued. No further action was taken.

Discussion ensued regarding contribution rates for 2022. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To instruct Segal that there will be no indexing for 2022.

C. Approval of Active Employee Contribution Rates for 2022.

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

RESOLVED: To reduce the contribution rate from 3% to 1% effective January 1, 2022.

D. Approval of Premium Structure for 2022.

The proposed 2022 Retiree contribution rates were previously distributed to the Trustees and are attached and made part of these Minutes. The contribution rates were reviewed by the Trustees on the shared screen provided by Mr. Kallianis. The rates were reviewed by the General Administration Committee prior to the full Board meeting. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the 2022 Retiree contribution rates as presented.

PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR 2020

Mr. Kallianis introduced representatives from Mitchell Titus, the firm retained by the Board to audit its financial statements. Irene Davis, Kenny Adegoke and Khaleel Baig were introduced to the Trustees. A copy of the draft audited financial statement was presented to the Trustees and is attached and made part of these Minutes. Ms. Davis directed the attention of the Trustees to page 4 of the report. She said that the report is substantially completed. She anticipates issuing an unmodified, clean opinion on the financial statements. She does not expect that the open items will preclude them from doing that. The audit went smoothly. Her firm received full cooperation from management, the TPA and Trustees. Pages 6 through 8 of the report review audit procedures. The auditor's opinion is that the investments are fairly stated. Claims payments were audited. There were no significant exceptions to report. She noted that the auditors are independent. There were no disagreements with management. She did not come across any non-compliance with rules, laws and regulations. There were no issues identified with the Plan continuing as a going concern. Mitchell Titus will return when the report is finalized. They were thanked for their report.

Request to Revise Engagement Letter with Freeborn & Peters

Mr. Vesselinovitch from Freeborn & Peters addressed the Trustees. His firm was retained in 2016 at a blended hourly rate for attorneys of \$425 per hour. He is requesting a fee increase to \$490 an hour. That rate represents a significant discount of over 40% of his standard rate and of a discount of 32% of the rate of Kathy Ehrhardt, one of his partners who has worked extensively on the Williams and Hampton cases. Mr. Vesselinovitch was asked what the discount from his normal rate was in 2016. Further discussion ensued. It was the consensus of the Trustees that the matter be deferred until the October meeting. Mr. Vesselinovitch thanked the Trustees for their consideration.

GENERAL ADMINISTRATION COMMITTEE ISSUES

Mr. Kasmer reported that applications for benefits and bills and remittances had been provided to the Trustees for their review. 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 requests for educational conference pre-approvals.

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 12:00 p.m.

rhct

SECRETARY

