

MINUTES OF THE MEETING  
BOARD OF TRUSTEES  
CTA RETIREE HEALTH CARE TRUST  
Via Microsoft Teams Videoconference  
September 29, 2022

TRUSTEES PRESENT

Thomas McKone	Chairman Keith
Hill	Secretary
John Burkard	(for Christopher Kasmer)
Eric Dixon	
Andrew Fuller	
April Morgan	

TRUSTEES ABSENT

Joseph Burke

ALSO PRESENT

Michael Bowen	Alternate Trustee Mark
Weems	Alternate Trustee
Marqueal Williams	Alternate Trustee
Paul Sidrys	Interim Executive Director
Elsa Trejo	Assistant Executive Director, Finance and Accounting
Hector Flores	Fund Office
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Jeffrey Bora	Chicago Transit Authority, Counsel on behalf of the CTA appointed Trustees
Daniel 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 Willis	Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich, LLP on behalf of the ATU Local 241 appointed Trustee
Miguel Zarate	Investment Consultant, Marquette Associates
Khaleel Baig	Fund Auditor, Mitchell & Titus
Brent Baccus	Fund Auditor, Mitchell & Titus
Dan Levin	Benefits Consultant, Segal Consulting
Nicole Llorens	Actuarial Consultant, Segal Consulting
Alexander Vesselinovitch	Litigation Counsel, Freeborn Peters

## ROLL CALL

Roll was called and a quorum was declared present.

## CALL TO ORDER

The Chairman called the meeting to order at 12:03 p.m.

## APPROVAL OF AUGUST 25, 2022 MEETING MINUTES

Chairman McKone noted that the Minutes of the August 25, 2022 meeting were previously distributed to the Trustees. Consequently, the reading of the Minutes was dispensed with. A motion was made and seconded to approve the Minutes as presented. The motion failed with three yesses and three abstentions.

## REPORT OF INVESTMENT CONSULTANT

Mr. Zarate referred the Trustees to the Marquette Associates 2<sup>nd</sup> Quarter 2022 Report dated June 30, 2022. A copy of that report is attached and made part of these Minutes. The monthly return for June 2022 was about -4.4%, so fiscal year-to-date, the investment return was -13.3%. The first six months of 2022 had the worst six-month return for the S&P 500 in 50 years. It was also the worst bond market ever and both of these factors have continued into the 3<sup>rd</sup> quarter. It was the third time in 47 years that there were two consecutive quarters of both negative stock and bond returns.

Mr. Zarate directed the attention of the Trustees to the August 31, 2022 flash report. A copy of the Marquette Associates August 2022 report was distributed to the Trustees and is attached and made part of these Minutes. Eagle, Lazard and William Blair are all on alert status. The return in August 2022 was -2.7% which puts the year-to-date return at -11.3%. Mr. Zarate noted that the Fund has increased its allocation to real estate which has been a very good asset class in 2022. Money was

also added to IFM and Ullico which are infrastructure managers. Private debt should also have a positive impact on returns. As of yesterday, September 28, 2022, the market value of the Fund was \$967,943,965.96.

Mr. Zarate directed the attention of the Trustees to the market value pages. U.S. fixed income is holding up against the benchmark. U.S. equities are also holding up pretty well. There has been some underperformance in the mid-cap space, driven primarily by Eagle. The Fund lost ground in small-cap investments. In total, Fund performances are a little bit behind the benchmark in non-U.S. equities. The Fund is overweight in real estate and that segment of the portfolio is up 13.3%. Infrastructure has also had positive returns year-to-date. Chairman McKone asked Mr. Zarate if some of the underperforming managers could be contacted regarding a decrease in fees. Mr. Zarate said he would do so, but that he has done that already. Mr. McKone said that many of the managers claim that they provide downside protection, but that has not been the case. Mr. Zarate said that because most of the Fund's assets are invested in commingled funds, as opposed to separate accounts, there is a limited ability to negotiate lower fees.

Mr. Zarate said that the target return for the Fund is now 6.85%. He discussed risk reduction as a result of the lowering of the target return. It was also noted that the contribution rate decreased from 3% to 1%. Consequently, funding of the benefits will be less dependant on incoming cash flow and more dependant on investment earnings. Discussion of de-risking the portfolio ensued. Further discussion on this topic will resume at the beginning of 2023. Mr. Zarate was thanked for his report.

## OLD BUSINESS

### a. Summary of Litigation from Plan Counsel

Mr. Rosenblat advised the Trustees that the Litigation Report was previously distributed to the Trustees. A copy of that report is attached and made part of these Minutes. He reported that there would be discussion regarding the Williams case during an Executive Session. He invited questions. There being no questions, Mr. Rosenblat was thanked for his report.

### b. Establishment of Rates and Premiums for 2023

The Chairman noted that Segal Consulting previously provided various scenarios to the Trustees on rates and premiums for 2023. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That rates and premiums for 2023 remain unchanged.

### c. Update of 2022 Significant Dates

The attention of the Trustees was directed to Mr. Levin. He reported on upcoming dates, including open enrollment being from November 1 through November 15 and an in-person enrollment scheduled for November 3. There being no questions, Mr. Levin was thanked for his report.

### d. Update on Medical and Dental Vendor Renewals

Mr. Levin continued. The one item that needs to be reviewed is discussion of whether the Humana renewal will be for a second year. Humana has been offering two-year renewals. Last year the Trustees approved a renewal through December 2023. Humana has made an offer to extend through 2024. In 2023, there was a 20% PPO premium reduction and an 18% reduction in the HMO and the offer for 2024 is a 2.9% increase on the PPO and no increase on the HMO. With the 2.9% increase it is still significantly less than even the 2022 fee. The one caveat Mr. Levin pointed out was that the recently passed Inflation Reduction Act will have an impact on Medicare

prescription drugs. 2024 is the first year during which that is going to have an impact. It may cause a change in the rate that is being offered. The base rate would go up 2.9%, not reflecting any Plan change and the Plan change would affect it as a result. Mr. Levin opined that the extension is attractive. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the Humana proposal to extend the contract through 2024.

Discussion ensued regarding in-person and online communications and education for retirees related to the open enrollment period. Discussion ensued regarding Segal working to prepare a written tutorial on accessing online communications from the Fund.

#### NEW BUSINESS

##### Presentation of the Financial Statements and Independent Auditors' Report

The attention of the Trustees was directed to Brent Baccus of Mitchell Titus. Khaleel Baig, also from Mitchell Titus, was present for the report. The Mitchell Titus Report had an unqualified, clean opinion. Mitchell Titus did testing on claims payments. They also reviewed the financial statements for fraud. The auditors received excellent cooperation from the Fund Office. There were no questions. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the Independent Auditors' Report.

#### GENERAL ADMINISTRATION COMMITTEE ISSUES

The attention of the Trustees was directed to Mr. Burkard. He reported that the Trustees had received applications for benefits, and bills and remittances. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve applications for benefits, and bills and remittances.

There were no requests regarding educational conferences.

### EXECUTIVE SESSION

Mr. McKone asked whether an executive session was necessary. An executive session was required to discuss litigation in the Williams case. Upon motion made by Mr. McKone and seconded by Mr. Burkard, the following Resolution was unanimously adopted:

RESOLVED: That the meeting go into executive session.

Discussion ensued regarding the need for representatives of Segal Consulting to participate. Discussion ensued regarding the impact of actuarial reports on settlement discussions. Ms. Llorens from Segal Consulting prepared the actuarial report. She was asked to stay. Other Segal Consulting representatives were excused. Mr. Sidrys secured the room. The executive session began at 12:54 p.m.

At 1:07 p.m. the regular session resumed. Mr. McKone reported that ongoing litigation in the Williams case was discussed. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To authorize the counter-offer in the Williams case as reviewed and discussed during the executive session.

### ADJOURNMENT

Mr. McKone reminded the Trustees that the November meeting will be held on a Tuesday because the regularly scheduled Thursday meeting falls on Thanksgiving. Discussion ensued regarding whether any announcement would be necessary or advisable if there is a resolution of the Williams

case. Questions were raised regarding how Trustees, the union, or the Fund Office should respond to inquiries regarding the case. Mr. Rosenblat advised the Trustees that individuals who are in the plaintiff class should consult with the class attorneys for information status of the litigation. He advised the Trustees that they are defendants in this case, as are the alternates, so they should be very wary of discussing this litigation with class members.

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 1:13 p.m.

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SECRETARY

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