

MINUTES OF THE MEETING  
BOARD OF TRUSTEES  
CTA RETIREE HEALTH CARE TRUST  
Via Microsoft Teams Videoconference  
February 24, 2022

TRUSTEES PRESENT

Thomas McKone	Chairman
Keith Hill	Secretary
William Lachman	(for Joseph Burke)
Mark Weems	(for Eric Dixon)
Christopher Kasmer	
April Morgan	
Paul Sidrys	

ALSO PRESENT

John V. Kallianis	Executive Director
Stephen J. Rosenblat	Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Anita Tanay	General Counsel for ATU Local 308, on behalf of the ATU Local 308 appointed Trustee
Daniel Salemi	Morgan Lewis & Bockius, LLP on behalf of the RTA appointed Trustee
Jeffrey Bora	Chicago Transit Authority, Counsel on behalf of the CTA appointed Trustees
Alex Vesselinovitch	Freeborn Peters
Katheleen Ehrhart	Freeborn Peters
Colleen Batty	Benefits Consultant, Segal Consulting
Miquel Zarate	Investment Consultant, Marquette Associates
Brendan Hopkins	Investment Consultant, Marquette Associates
Craig Goesel	Insurance Broker, Alliant Insurance Services
Bruno Amici	Insurance Broker, Alliant Insurance Services

CALL TO ORDER

The Chairman called the meeting to order at 11:02 a.m.

ROLL CALL

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

## CONSIDERATION OF THE MINUTES OF THE JANUARY 27, 2022 MEETING

The Minutes of the January 27, 2022 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 adopted:

RESOLVED: That the Minutes of the January 27, 2022 meeting are approved as presented.

Mr. Lachman abstained.

## REPORT OF THE INVESTMENT COMMITTEE

Mr. Zarate directed the attention of the Trustees to the Fourth Quarter 2021 Executive Summary, December 31, 2021. A copy of that report is attached and made part of these Minutes. Mr. Zarate reviewed manager status noting that Lazard International Equity, a non U.S. large-cap core manager, is on alert due to poor performance. Regarding Lazard, he said that its January returns were decent and they have been a good long-term manager. Year-to-date through December 31, 2021, the Fund returned 12.9% compared to the policy benchmark of 12.7%. As of that date, there was a 3.7% overweight to equities. Individual manager performance was reviewed. Amongst fixed-income managers, Mr. Zarate pointed out that Garcia Hamilton & Associates returned -2.3% for 2021, falling behind its benchmark which returned -1.5%. Mr. Zarate then drew attention to the Eagle Mid-Cap Growth Fund which returned 11.3% for the year ending December 31, 2021, and underperformed the Russell Mid-Cap Growth Index return of 12.7%. Kayne Anderson Small Cap Value Fund also underperformed, returning 19.9% compared to the Russell 2000 Value Index return of 28.3%. The Lazard International Equity Fund returned 6.3%

compared to its benchmark return of 7.8%. The Artisan International Small/Mid Fund returned 4% compared to the index return of 10.2%. The William Blair Emerging Markets Leaders Fund returned -8.1% compared to its benchmark return of -2.5%. The Parametric Defensive Equity Fund returned 7.7% compared to its custom benchmark of 13.7%. Real estate managers were also reviewed.

Mr. Zarate then directed the attention of the Trustees to the Marquette Associates Monthly Update dated January 31, 2022. A copy of that report is attached and made a part of these Minutes. January saw the value of the Fund's assets drop 3.8%. The policy benchmark return was -3.6%. The market value of the Fund's assets as of January 31, 2022 was \$1,122,092,437. Mr. Zarate reported that as of yesterday, the value of the Fund's assets was \$1,097,883,166. Mr. Zarate said the Fund had exposure to Russia through emerging market managers. He then reported on the new policy allocations. He reported that a request for proposal for a private debt manager was sent out. Mr. McKone asked when capital calls for IFM and ULLICO, the infrastructure managers, are expected. Mr. Zarate responded that the Fund has been in the capital call queue for almost a year. He expects calls to be made by the end of the first quarter. Mr. Zarate said that January was a difficult month for fixed income which had negative returns across the board.

Mr. Zarate then directed the attention of the Trustees to a February 24, 2022 Memorandum regarding the William Blair Emerging Markets Leaders Strategy. A copy of that Memorandum is attached and made a part of these Minutes. The Memorandum reviewed the departure of co-portfolio manager, Jack Murphy. William Blair announced that Ken McAtamney and Hugo Scott-Gall will join the current co-portfolio manager, Todd McClone, in managing the strategy. Marquette recommends placing the manager on alert due to the sudden departure of Mr. Murphy. Marquette will continue to monitor the strategy's performance. Investors have not noticeably

withdrawn since Mr. Murphy's departure. Mr. Zarate anticipated that an Investment Committee meeting will be held in April. He was thanked for his report.

## OLD BUSINESS

### Joint Payroll Audit Committee Meeting

Ms. Morgan reported that the Committee met on February 10, 2022. At the meeting, the Executive Director reported on the status of the findings from the 2011-2017 payroll audit. The Executive Director reported that the finance staff was in the process of manually updating the 2011-2017 earnings of full-time and part-time union officers identified in the audit and that their updated earnings would be completed by the end of February. He further reported that the new information would be reflected in the annual statements mailed to the participants in April. The Committee requested that the Executive Director organize a meeting between the parties to discuss completion and submission of timesheets for part-time Union officers of the two Locals. That meeting has been set for March 15 at 10:00 a.m. The Committee discussed the draft engagement letters from Legacy for the upcoming 2018-2021 payroll audits. The Committee asked that anyone who had comments or suggestions provide those to the Executive Director by Friday, March 4, 2022. The Director will then circulate updated drafts of the Engagement Letters to the Committee for review at the next meeting of the Joint Payroll Audit Committee. Ms. Morgan was thanked for her report.

### Summary of Litigation from Plan Counsel

Mr. Rosenblat referred the Trustees to the Legal Report dated February 24, 2022. A copy of that report was previously distributed to the Trustees and is attached and made part of these Minutes. Mr. Rosenblat reported that there is a hearing set on the Motion to Enforce the Settlement

in the Hampton case scheduled for March 20, 2022. No action was required in any manner in the report. There being no questions, Mr. Rosenblat was thanked for his report.

#### Update on 2022 Significant Dates

Ms. Batty referred the Trustees to key dates for the Retiree Health Care Trust for 2022. A copy of that document is attached and made part of these Minutes. She highlighted recent changes, including February 2, 2022 when Segal initiated data requests for the RFP process. A General Administration Committee Meeting to select RFP respondent finalists should be scheduled in early May, with finalist interviews scheduled for the week of May 16, 2022. Ms. Batty was thanked for her report.

#### NEW BUSINESS

##### Commercial Insurance and Property/Casualty Proposals

Craig Goesel and Bruno Amici of Alliant Insurance Services were introduced to the Trustees. A copy of their proposal is attached and made part of these Minutes. Mr. Goesel reviewed the proposal with the Trustees. Mr. Goesel reviewed the current coverage with the Trustees. He presented a new crime policy that would cover wire transfers due to fraud. This policy would also cover the CTA Retirement Plan. The two Funds would allocate the premium with the assistance of Alliant. Coverage of \$1 million would cost \$18,538 with a \$50,000 deductible and \$15,096 with a \$100,000 deductible. Mr. Goesel recommended the policy with \$100,000 deductible.

Mr. Goesel then reviewed the business owners policy. The current carrier is Secura. The premium would be \$5,752 for the same policy for one more year. Mr. Goesel recommended moving the policy to Hartford for \$5,697 premium. Hartford offers some additional coverages and the premium is less than Secura's. Discussion ensued. Hartford's \$1 million occurrence limit

plus the \$6 million umbrella gets to \$7 million of coverage. Secura has a total limit of \$8 million. The higher umbrella policy makes Hartford more attractive. The Hartford coverage provides up to \$1 million in coverage for any one claim and \$8 million total. Secura is capped at \$7 million. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the insurance coverages as recommended.

Mr. Goesel and Mr. Amici were thanked for their presentation.

#### GENERAL ADMINISTRATION COMMITTEE ISSUES

##### Applications for Benefits and Bills and Remittances

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 bills and remittances as presented.

##### Educational Conference Pre-Approvals

Mr. Williams requested pre-approval for attendance at the International Foundation for Employee Benefit Plans Annual Conference. He is seeking approval of one-half of related expenses as the other half would be paid for by the CTA Retirement Plan. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the request for reimbursement of expenses for Mr. Williams to attend the Annual Conference of the International Foundation for Employee Benefit Plans.

##### Executive Session

Upon motion by Mr. Kasmer and seconded by Mr. Sidrys, the following Resolution was unanimously adopted:

RESOLVED: The Trustees go into an Executive Session.

The Executive Session began at 11:53 a.m. At 12:31 p.m., the Executive Session ended. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: To proceed with the recommendation of Fund Counsel regarding the Williams case.

Mr. Lachman and Mr. Weems 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 12:34 p.m.

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SECRETARY