

#70293

MINUTES OF THE MEETING OF THE
CTA RETIREE HEALTH CARE TRUST
200 W. Adams Street, 17th Floor, Chicago, IL
August 24, 2023

TRUSTEES PRESENT

Keith Hill Chairman
Thomas McKone Secretary
Joseph J. Burke (via Teams)
Eric Dixon (via Teams)
Andrew Fuller
Christopher Kasmer (via Teams)
April Morgan

ALSO PRESENT

Georgette Hampton Alternate Trustee
Mark Weems (via Teams) Alternate Trustee
Marqueal Williams Alternate Trustee
Paul Sidrys Executive Director
Elsa Trejo Deputy Executive Director for Finance
Miguel Zarate Investment Consultant, Marquette Associates
Dan A. Levin Benefits Consultant, Segal Consulting
Nicole Llorens Actuarial Consultant, Segal Consulting
Barbara Zaveduk Actuarial Consultant, Segal Consulting
Stephen J. Rosenblat Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.
Ronald Willis (via Teams) Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich,
on behalf of the ATU Local 241 appointed Trustee
Daniel Salemi (via Teams) Morgan Lewis & Bockius
on behalf of the RTA appointed Trustee
Anita Tanay (via Teams) Counsel for ATU Local 308 Trustee
Jeffrey Bora Counsel for CTA appointed Trustees

CALL TO ORDER

Roll was taken and a quorum was declared present at 10:43 a.m.

PRESENTATION OF MINUTES FOR APPROVAL

The Minutes of June 22, 2023, meeting of the CTA Retiree Health Care Trust were presented for approval. A copy of those Minutes are attached and made part of these Minutes. The Minutes were previously distributed to the Trustees. 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 June 22, 2023, meeting are approved as presented.

Mr. Dixon abstained.

The Minutes of June 29, 2023, meeting were previously distributed to the Trustees. A copy of those Minutes are attached and made part of these Minutes. The reading of the Minutes was dispensed with. Upon motion made and seconded, the following Resolution was adopted:

RESOLVED: That the Minutes of the June 29, 2023, meeting be approved as presented.

Mr. Dixon abstained.

REPORT OF INVESTMENT CONSULTANT

The attention of the Trustees was directed to Mr. Zarate who asked the Trustees to turn their attention to the First Quarter Investment Report for the period through March 31, 2023. A copy of that report is attached and made part of these Minutes. The first quarter investment return was 4.1% compared to the benchmark return of 4.2%. Since the March 31 report, the Fund has moved towards its new asset allocation.

Mr. Zarate then directed the attention of the Trustees to the July 31, 2023 Marquette Associates Flash Report. A copy of that report is attached and made part of these Minutes. Mr. Zarate first directed the Trustees' attention to the manager status page which showed that MacKay

Shields was recently added to alert status. The return for the Fund was 9.1% through the end of July. Mr. Zarate directed the attention of the Trustees to the asset allocation compared to the target. Total fixed income is approximately 4% underweight. The overweight is in real estate. When real estate redemptions come through, the allocation will move closer to its target. Real estate managers are satisfying redemptions slowly. There is also an underweight to private debt. In those instances, the Fund is waiting for capital calls from the managers. As of yesterday, the total value of the Fund's assets was \$969,413,172.74.

Mr. Zarate reviewed real estate redemptions. There is still \$36.2 million outstanding on the Clarion redemption. Heitman still has \$8.6 million to pay back to the Fund and there was a new redemption call of \$5 million for Intercontinental. Regarding private debt managers, Carlyle called \$21.3 of the \$30 million committed. Turning Rock called \$4.8 million of the \$15 million committed. Individual managers were then reviewed.

Mr. Zarate reported that the Investment Committee met last week to review responses to the international equity RFP. The Committee narrowed the candidates to three. Lazard will also make a presentation on its performance. Mr. Zarate was thanked for his presentation.

REPORT OF FUND COUNSEL

Mr. Rosenblat referred the Trustees to the summary of litigation which was included in the meeting materials. A copy of the litigation summary is attached and made part of these Minutes. He first noted that the Okere case is included in the report, and he is requesting authorization to close that file. The matter was arbitrated, an award was issued, and the award was confirmed by the court. The time within which Mr. Okere could appeal has passed. Mr. Sidrys said that the file could be closed. Mr. Rosenblat then referred to a final matter regarding the Wakpamni Bond issues. The individuals responsible for the fraud have been convicted of their crimes and significant

money judgments have also been entered against them. Restitution is being coordinated by the U.S. Attorney's office of the Southern District of New York. That office is aware of the Retiree Health Care Trust's claims. In light of the fact that this also is no longer an active matter, Mr. Rosenblat indicated that that file would be closed. Mr. Rosenblat was thanked for his report.

(Mr. Kasmer joined the meeting. Mr. McKone returned to the meeting and Ms. Hampton sat in for Ms. Morgan.)

REPORT OF ACTUARIAL CONSULTANT

The attention of the Trustees was directed to Ms. Llorens, who reviewed the actuarial valuation with the Trustees. A copy of the actuarial valuation as of January 1, 2023, including accounting disclosures for the year ended December 31, 2022, is attached and made part of these Minutes. Ms. Llorens directed the attention of the Trustees to page 8 which was a table showing the actuarial present value of projected benefits and the actuarial value of projected income and assets. The total present value of projected benefits was \$647,253,375. Total income and assets was \$952,127,127. Income and assets in excess of projected benefits was \$304,873,752. Income and assets as a percentage of projected benefits was 147.1%. These projections are as of January 1, 2023. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve the January 1, 2023, actuarial valuation as presented.

The attention of the Trustees was then directed to Mr. Levin who reviewed the indexing portion of the presentation. He said for the last five years there has been no automatic indexing of co-pays, deductibles, and that this year there was actually a negative change in the measurement that we have used in the past. Given the fact that there was a negative change, but also favorable renewals, and benchmarking information, Segal is recommending that there be no changes to the co-pays or deductibles for 2024. Discussion then ensued regarding whether any action was

necessary by the Board if there were to be no changes. Mr. Rosenblat was asked whether action was necessary. He said that if no action was taken then the rates would stay the same, as the status quo would be maintained. That being said, he said that if the Trustees wanted to take some affirmative action, they could accept Segal's recommendation for no change. He said the result would be the same. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept Segal Consulting's recommendation to make no change for co-pays or deductibles for 2024.

Mr. Levin reported that the City of Chicago related agencies selected CVS, the current provider, as the preferred prescription benefit manager. The contract will provide approximately 10% savings from the current pricing. This will result in a basically flat rate for non-Medicare prescription benefits as the prescription drug trend is 10%

Mr. Levin reviewed the Humana proposal. The Humana proposal for the PPO and HMO plans are for a three year renewal. The renewal would be for no increase in 2024 and 2025 and a maximum of 5% increase for 2026. On the HMO, there would be no increase for 2024 and 2025 and a maximum of 6.3% increase for 2026. Segal recommended accepting the Humana proposal. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the recommendation of Segal to approve the renewal offered by Humana for the PPO, no increase for 2024 and 2025 and a maximum increase of 5% for 2026; for the HMO, no increase for 2024 and 2025 and a maximum of 6.3% increase for 2026.

The attention of the Trustees was then directed to Ms. Zaveduk to review premium and co-pay rates for 2024. Ms. Zaveduk referred to the January 1, 2024 renewals and benefit indexing report prepare by Segal Consulting. A copy of that report is attached and made part of these

Minutes. Ms. Zaveduk reviewed the rates for non-Medicare PPO and HMO retirees and dependents. The Trustees were reminded that prior to 2019, there was a policy of automatically indexing the member cost share for certain benefits to the Consumer Price Index for medical care. No indexing had been applied to the Blue Cross Blue Shield of Illinois HMO benefits because the Plan was insured. Now that the non-Medicare HMO is self-insured through Aetna, the Trustees do have the option to index HMO benefits for 2023 forward. Since 2019, indexing options have been reviewed annually. Since that time, no action was taken to index. Discussion ensued. For 2024, Segal recommends no change based on the surplus position and favorable renewals. Humana confirmed that current MA-PD cost sharing levels are already in line with other group plans. The model designated as B5 was considered by the Trustees. (Mr. Weems replaced Mr. Dixon at 12:24 p.m.) Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve rates as identified in Model B5.

NEW BUSINESS

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

RESOLVED: To schedule the September 2023 Board meeting for September 21, 2023, rather than September 28, 2023.

REPORT OF GENERAL ADMINISTRATION COMMITTEE

Mr. Kasmer noted that copies of the bills and remittances and applications for benefits under Items 7(a) and (b) on the agenda had previously been distributed to the Trustees. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To approve Items 7(a) and (b), applications for benefits and bills and remittances as presented.

There were no requests for educational conference pre-approvals.

ADJOURNMENT

There was no need for an Executive Session. 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 12:27 p.m.



SECRETARY

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