

MINUTES OF THE MEETING OF THE  
CTA RETIREE HEALTH CARE TRUST

August 22, 2024  
55 W. Monroe Street  
Chicago, IL 60606

TRUSTEES PRESENT

Tom McKone  
Keith Hill  
Joseph Burke (via Teams)  
Andrew Fuller (via Teams)  
Christopher Kasmer  
April Morgan  
Mark Weems (via Teams)

Chairman  
Secretary

ALSO PRESENT

Georgette Hampton  
Michael Bowen  
Marqueal Williams  
Paul Sidrys  
Elsa Trejo  
Hector Flores  
Stanley Mui  
Stephen J. Rosenblat  
Jeffrey Bora (via Teams)  
Anita Tanay  
Ronald Willis  
  
Miguel Zarate  
Michael Barry  
Dan A. Levin  
Colleen Batty (via Teams)  
Nicole Llorens (via Teams)

Alternate Trustee  
Alternate Trustee  
Alternate Trustee  
Executive Director  
Deputy Executive Director of Finance and Accounting  
Deputy Executive Director of Benefits and Operations  
Accountant  
Fund Counsel, Baum Sigman Auerbach & Neuman, Ltd.  
Counsel on behalf of the CTA appointed Trustee  
Counsel on behalf of the ATU Local 308 appointed Trustee  
Dowd, Bloch, Bennett, Cervone, Auerbach & Yokich  
on behalf of the ATU Local 241 Appointed Trustee  
Investment Consultant, Marquette Associates  
Investment Consultant, Marquette Associates  
Benefits Consultant, Segal Consulting  
Benefits Consultant, Segal Consulting  
Actuarial Consultant, Segal Consulting

CALL TO ORDER

A quorum being present, the meeting was called to order at 11:24 a.m. Because Mr. Burke was having difficulties logging in, the approval of the Minutes of the previous meeting was deferred.

## REPORT OF INVESTMENT COMMITTEE

The attention of the Trustees was directed to Mr. Zarate. Mr. Zarate referred the Trustees to the Marquette Associates Monthly Update as of July 31, 2024. A copy of that report was previously distributed to the Trustees and is attached and made part of these Minutes. The Fund returned 1.7% during July and had a year-to-date return of 7.7% through July 31, 2024. Mr. Zarate noted that the target return is 6.85% annually. The ending market value as of July 31, 2024 was \$1,077,098,488. The asset allocations versus targets were reviewed. Allocations are tracking closely to their targets. However, fixed income is -2.9% underweight to its target and the total equity composite is 2.1% overweight. Summary of cash flows were reviewed. As of yesterday, Mr. Zarate reported that the total value of the Fund's assets was \$1,084,073,769.66.

Outstanding items were reviewed. He noted that another \$25,000,000 was allocated to the Carlyle Direct Lending Fund IV.

Fund asset allocation was reviewed. Mr. Zarate noted that the policy allocation for private debt increased to 5%. Annualized performance, net of fees, for each manager was reviewed. Mr. Zarate reported that Artisan continues to underperform. He also noted that fixed income managers Garcia Hamilton and Associates and T.C.W. Core Plus have improved their performance, beating their benchmarks for the one month and the three month periods. Mr. Zarate believes that real estate values are bottoming out. Discussion ensued regarding private debt.

Trustees were asked to draw their attention to a memorandum from Marquette Associates regarding Artisan. A copy of that memorandum is attached and made part of these Minutes. Artisan is a non-U.S. small/mid-cap growth manager. Mr. Zarate reviewed the manager and its recent performance. Although there has been some short term improvement in performance, Marquette is placing the manager on alert. The strategy trailed its benchmark by 3.4% on a one year trailing

period as of July 31, 2024 and continues to underperform on a year-to-date one and three year trailing basis. There were key stock selection issues, particularly in industrials and information technology, which led to underperformance. Marquette will closely monitor Artisan through the end of the year. Mr. Zarate was thanked for his report.

#### APPROVAL OF MINUTES OF PREVIOUS MEETING

The Minutes of the June 27, 2024 meeting of the CTA Retiree Health Care Trust were previously distributed to the Trustees and are 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: That the Minutes of the CTA Retiree Health Care Trust held on June 27, 2024 be approved as presented.

#### OLD BUSINESS

a. Report On Litigation

Mr. Rosenblat reported that there was no litigation on which to report.

b. Experience Study

A copy of the Assumptions Review prepared by Segal Consulting is attached and made part of these Minutes. The attention of the Trustees was directed to Ms. Llorens. Ms. Llorens reviewed assumptions shared with the Retirement Plan for CTA Employees. She then reviewed assumptions specific to the Retiree Health Care Trust. Changes to claims/contributions trend assumptions decreased the cushion by 18.6%. Changes to assumptions shared with the Retirement Plan increased the cushion by 3.1%. Changes to other RHCT specific assumptions decreased the cushion by 1.4%. The funding percentage as of January 1, 2024 was 139.5%. Discussion ensued. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the assumptions review as presented.

c. Actuarial Valuation by Segal

The attention of the Trustees was then directed to the actuarial valuation as of January 1, 2024. A copy of that report is attached and made part of these Minutes. Ms. Llorens directed the attention of the Trustees to page 8 which has the January 1, 2024 funding assessment. The Illinois Pension Code requires the Board of Trustees to make an annual assessment of the funding levels of the Trust and to submit a report to the Auditor General. The report must demonstrate that the present value of projected benefits is exceeded by the present value of projected contributions and income plus assets in excess of the statutory reserve. If there is a shortfall, the report must describe a plan to eliminate the shortfall. As of January 1, 2024, projected income and assets exceed projected benefits and no changes are necessary. For current retirees, the present value of benefits is \$387,197,563 less projected retiree self-payments of \$120,827,294 which leaves a net present value of benefits of \$263,370,269. For future retirees, the present value of benefits is \$594,705,799 less anticipated retiree self-payments of \$181,449,119 which leaves a net present value of benefits of \$413,256,680. The present value of HRA benefits is \$77,055,274. The total present value of projected benefits is \$753,682,223. That includes the net present value of benefits for current retirees, future retirees and the present value of HRA benefits. The actuarial present value of projected income and assets was then reviewed. The present value of active contributions is \$72,196,072. As of January 1, 2024, assets were \$1,013,336,520. Less the statutorily required reserve of \$34,171,427, leaving total income and assets of \$1,051,361,165. Income and assets in excess of projected benefits was \$297,678,942 for an income and assets as a percentage of projected benefits of 139.5%.

For illustration purposes demonstrating the sensitivity of the investment return, a similar calculation was done using a 6.5% investment return. The current assumed rate of return is 6.85%. The end result is that the income and assets as a percentage of projected benefits fell to 133.3%.

Ms. Llorens then reviewed the 45% test under the Illinois Pension Code. That test requires that total contributions from all retirees, dependents and survivors shall not be more than 45% of the total cost of benefits. The total cost of benefits is the total amount expended in the prior Plan year. In 2023, contributions were \$11.6 million. Total benefits in 2022 were \$43,347,375. The exact amount of contributions in 2023 was \$11,618,097. Retiree self-pays as a percentage of total costs and benefits was, therefore, 26.8%, satisfying the requirement that contributions must be less than 45% of the total cost of benefits. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: To accept the actuarial valuation as of January 1, 2024 as presented.

d. Segal Consulting Update

The attention of the Trustees was then directed to Mr. Levin who provided an update from Segal Consulting. Discussion ensued regarding adding hearing and vision benefits already provided through the HMO to the PPO schedule of benefits. Mr. Levin referred to a Vision and Hearing Benefits Update from Segal Consulting dated August 20, 2024 which is attached hereto and made part of these Minutes. He referred the Trustees to page 8 of that report. There would be a \$10 exam co-pay for both the hearing and vision benefit. For the hearing benefit, there would be 100% coverage with a maximum \$5,000 benefit every two years. There would be no “hardware” vision benefit. If adopted, this benefit improvement would be effective January 1, 2025. Discussion ensued regarding whether this benefit improvement could be adopted without it specifically being

on the agenda. It was the consensus of the Trustees that the matter be deferred for a vote until the September meeting.

Discussion then ensued regarding the Humana renewal and the recommendations of the General Administration Committee on vision and hearing improvements for Medicare retirees covered by Humana. Hearing Option 3 and Vision Option 2 were the recommendations of the General Administration Committee.

Discussion then ensued regarding the Cigna Dental Plan. 2025 will be the third and last year of the 3-year contract with a rate increase not to exceed 3%. Discussion ensued regarding action the Board might want to consider for coverage after the 3-year contract expires at the end of 2025. A motion was made and seconded to adopt the recommendation of the General Administration Committee regarding 2025 rates. Discussion ensued regarding the fact that there was no change in premium. Mr. Rosenblat opined that “no action” would mean that participants would continue to have the same rate structure going forward. Discussion ensued regarding whether approval of rates for 2025, even if they did not change, was an item on the agenda. It was the consensus of the Trustees that the matter be deferred until the September meeting whereupon the motion and second were withdrawn.

e. Report on Software Upgrade

Mr. Sidrys reported that Norm Buckwalter of Segal Consulting gave a detailed report earlier in the day to the Retirement Plan on the implementation of the Benefits Administration software. Mr. Sidrys summarized the report. The focus now is on data conversion and establishment of the interfaces with feeder sources, including the CTA, Group Administrators and Northern Trust.

## NEW BUSINESS

Mr. McKone noted that there was a desire to move the September meeting date to September 20. Upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That the September 2024 Board meeting be held on September 20, 2024.

## GENERAL ADMINISTRATION COMMITTEE

Mr. Kasmer reported that copies of applications for benefits and bills and remittances under items 7 (a) and (b) of the Agenda were previously distributed to the Trustees and are attached and made part of these Minutes. Upon motion made and seconded the following resolution was unanimously adopted:

RESOLVED: To approve items 7 (a) and (b) as presented.

Regarding Item 7(c), education conference preapprovals, upon motion made and seconded, the following Resolution was unanimously adopted:

RESOLVED: That reimbursement for one-half of the expenses incurred related to Mr. Kasmer's attendance at the International Foundation for Employee Benefits Plan Meeting is approved.

## EXECUTIVE SESSION

There was no need for an Executive Session.

## 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 12:20 p.m.

Keith Hill  
SECRETARY

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